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FRAUD HOTLINE SERVICES: AN OVERVIEW

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FEDERALISM, AND THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

APRIL 19, 1988

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FRAUD HOTLINE SERVICES: AN OVERVIEW

TUESDAY, APRIL 19, 1988

U.S. SENATE,
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY,
FEDERALISM, AND THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:08 a.m., in room R-428, Russell Senate Office Building, Hon. James R. Sasser, Chairman of the Subcommittee, presiding.

Present: Senators Sasser, Levin, and Mitchell.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. The Subcommittee will come to order.

Today the Governmental Affairs Subcommittee on Government Efficiency, Federalism, and the District of Columbia convenes to conduct a hearing on the status of the General Accounting Office fraud hotline and other hotline efforts within the Federal Government to combat fraud, waste, and mismanagement.

Charles Bowsher, the distinguished Comptroller General of the General Accounting Office, Richard Kusserow, Inspector General of the Department of Health and Human Services and vice president of the President's Council on Integrity and Efficiency, Robert Beuley, the Inspector General of the Department of Agriculture and former vice chair of the President's Council on Integrity and Efficiency, Derek Vander Schaaf, Deputy Inspector General of the Department of Defense, and Norman Zigrossi, the distinguished Inspector General of the Tennessee Valley Authority, will all testify here today.

Nearly ten years ago at a hearing by the Legislative Appropriations Subcommittee on December 4, 1978, which I chaired, I suggested and it was accepted by the General Accounting Office to establish a toll-free hotline to get the general public involved in reporting cases of Government waste. Within six weeks the General Accounting Office opened its nationwide toll free hotline operation and within a matter of months the Inspector General offices of 12 Government agencies established similar hotlines.

In 1981, the President's Council on Integrity and Efficiency was established to oversee and coordinate efforts within the Federal Government to ferret out illegalities and mismanagement and restore pubic confidence in its Government.

Today, there are 21 statutory Inspectors General and more than 24 separate hotlines to report cases of Government waste and abuse. Without question, the evolution from a single agency local

hotline to a nationwide system of toll free hotline numbers is a significant achievement. Indeed, in a report issued last year the Council on Integrity and Efficiency reported since 1981 $92,400,000,000 in Federal funds had been saved or put to better use, in part as a result of more than 20,000 successful civil or criminal prosecutions, many as a result of hotline calls.

Illegal acts reported through the hotlines include Government contractor cases that included overpricing, falsifying contract documents, unauthorized travel, to individual schemes to profit from Government assistance programs.

Perhaps the most notable among these is the report two years ago by the General Accounting Office revealing the regular use of a chauffeur-driven Government automobile between 1981 and 1984 by the wife of the then Attorney General William French Smith for personal reasons, personal purposes and personal missions.

Certainly the extensive nature of these investigations by the offices of the Inspectors General and the General Accounting Office had a chilling effect on those who might otherwise defraud the Government of funds. Today it is possible for an average citizen throughout this Nation, whether in Jackson, Tennessee or Detroit, Michigan to pick up the phone and call to report known or suspected cases of waste, fraud and abuse.

With each year major victories are reported to Congress in this battle against misuse of Federal financial resource. But the war is not over. As we will hear by those testifying today before this Subcommittee, there have been significant achievements, record amounts of savings, better use of Federal funds and notable prosecutions as well as better methods of making the current system of reporting abuse more efficient, more fair and more effective.

But one fact is clear. The fraud hotline is one of our first lines of defense against those who would defraud our Government and cheat the American taxpayer.

Again, let me welcome the distinguished members of the panel who are here to testify today, and we are pleased that our distinguished colleague, the Senator from Michigan, Mr. Levin, has joined us and I will turn to Senator Levin for any opening statement he might wish to make.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Mr. Chairman, thank you very much.

It has been almost a decade now since you spearheaded the effort to establish the GAO fraud hotline. Today you deserve much of the credit for the success of that hotline. The hotline's success is evident in several ways. It has received, according to the GAO, almost 100,000 calls over the years. It is estimated that it has resulted in a savings of large amounts of taxpayers' dollars and the detection of significant fraud. It has generated hotlines in other agencies, and it has served to assure the public and Federal employees alike that there is some place they can turn to, anonymously if they wish, to have their allegations of Government wrongdoing taken seriously.

Mr. Chairman, your GAO hotline idea is a very simple idea, a straightforward idea and a creative idea. It has proved to be an effective weapon in fighting Government inefficiency and fraud. I

commend you for initiating this idea nine years ago, and I commend you for holding these hearings which I know will be a valuable review of the work of the GAO and the Inspectors General.

Senator SASSER. Thank you very much for these unexpected words of praise. I want to thank you for the diligent work you did on the Subcommittee this year.

Today we begin with the Comptroller General of the General Accounting Office, Charles Bowsher.

TESTIMONY OF CHARLES A. BOWSHER, COMPTROLLER GENERAL, GENERAL ACCOUNTING OFFICE, WASHINGTON, DC,[1] ACCOMPANIED BY RICHARD PIERSON, ASSOCIATE GENERAL COUNSEL, GARY CARBONE, CHIEF, GAO HOTLINE, AND HUGH DELANEY, GAO HOTLINE

Mr. BOWSHER. Thank you very much, Mr. Chairman and Senator Levin. It is a pleasure to be here, and we appreciate the opportunity to appear before the Subcommittee and discuss the experience that we have had with the GAO fraud line.

It was really at your suggestion, Mr. Chairman, that we established this hotline nearly ten years ago, and I am pleased to report that measured in a variety of ways, the hotline has been a significant success.

First, the number of toll free calls received, 94,000 by GAO alone, is impressive. Secondly, the results have been substantial measured by cases substantiated, preventive steps taken and criminal proceedings instituted and disciplinary actions imposed. Third, the important information obtained through the hotline has generated agency audits, investigations and other preventive actions.

On the basis of substantiated cases there is good reason to believe that millions of dollars in abuses have been detected as a result of the GAO hotline. Indeed, the substantiated cases against defense contractors, some of them involved very large sums of Federal dollars. It's uncertain whether these cases would have been uncovered if not for the hotline.

Fourth, the success of the GAO and Inspectors General hotlines have led to the establishment of similar successful hotlines by various Government agencies and, equally important, I think, by other people in the private sector such as defense contractors. The success of other governmental hotlines has led to a reduction in the use of our own hotline at GAO. As we now receive fewer calls, we made certain changes in our hotline procedures. As you are aware, these changes are designed to expedite action and eliminate unnecessary redundancy while assuring the continued efficiency and effectiveness of our operation.

Specifically, we now suggest to persons alleging fraudulent receipt of Government benefits that they call the toll free hotline of the responsible agency. These hotlines, of course, were not available some years ago, but they are today. In matters of less serious concern we no longer ask the referral agency to give us a final disposition report, but in matters of a serious nature or those that suggest some kind of systemic problem we continue to track them

[1] See p. 29 for Mr. Bowsher's prepared statement.

through to completion. Also we continue to conduct our own investigations of allegations against Inspectors General or their offices; and with these changes and without increasing our staff size we are able to devote more effort to overseeing the agency hotlines.

Mr. Chairman, in testifying to my belief in the proven value of the GAO hotline, I tried through statistical and other objective data to measure that value in several ways. But there is one major value of the hotline that is not readily susceptible to statistical or other precise measurement. It cannot be calculated in terms of dollars recovered or criminal proceedings instituted. Nevertheless, it should not be underestimated.

Through the hotline we are actively involving the public in our effort to root out fraud, waste and abuse in the expenditure of Federal funds. We are providing the American people with credible evidence of our concern with the problems of fraud and waste and our resolve, the Government's resolve to end them. This, in my view, is as significant as the other more tangible measures of the hotline success.

Mr. Chairman, we have a more complete statement. I would appreciate if it can be included in the record. We would be more than pleased to answer any questions at this time.

Senator SASSER. Thank you very much, General Bowsher.

As you know, we are in a serious crisis with the Federal deficit. The explosion of red ink is actually destroying people's confidence, I fear, in some of our institutions. Now, I am proud of the fact that the fraud hotline not only saves money but it restores people's faith in Government. The hotline sends a clear message to people who do business with the Government that we are not going to tolerate dishonesty, we are not going to tolerate waste, and people who cheat the American taxpayer are not going to get away with it. I think that is what the fraud hotline says.

We saved millions and millions of dollars of taxpayers' money, but we are looking for new ways to make the Government leaner and more efficient and more responsive.

Will you tell, once again, the Subcommittee some of the things that this fraud hotline has enabled you to do to make Government more efficient, given the American taxpayer a bigger bank for the tax buck. And as we see this deficit getting larger, as we try to bring it under control, really what we are trying to do is to make Government more cost efficient, trying to get a bigger bang for the taxpayer's buck. We are going to have to learn to get more mileage out of every taxpayer's dollar that we spend, I think, in the coming years, not just next year or the year after but for the foreseeable future.

How does the fraud hotline help the General Accounting Office in that regard, and do you have any additional suggestions for us?

Mr. BOWSHER. Well, I think the one thing we do with the fraud hotline is whenever we see a complaint that indicates a weakness in the internal controls or procedures in the Government we follow up on that. We do it several ways. We make sure that the other GAO auditors who are working in that area are notified of what this indicates so they can follow up in their audits. We also are in constant contact with the Inspectors General of the various agencies, and we give them the same information.

And I agree with you, Mr. Chairman, I think these deficits are very large and they are building a debt that I think is going to be very difficult for our country to manage. So I think every dollar that we can save is important. So we not only look at the individual cases as we get them over the fraud hotline, but we are looking at the controls and the procedures in a systematic way to try to get on top of them, and we follow up very carefully.

Senator SASSER. Well, of course, I think people of my generation—and I was certainly brought up to believe that—believe that honesty is the best policy.

The germ of the idea for the fraud hotline came from some old speeches that President Franklin Delano Roosevelt made in the 1930s. I had some recordings of those old speeches, and I was listening to them one day and he was telling people as the New Deal was just starting to unfold and Government was starting to grow—in one of his "fireside chats" he told the American people, "If you see any evidence of waste or fraud or abuse, pick up the telephone and call me at the White House and report it." He said, "That's just plain good citizenship."

That is kind of old-fashioned good citizenship, but I think many of us really believe that still today.

I think the question is how to get the public more involved. How do we go about getting the public more involved in trying to police their own Government and not just pass by what they might see that are examples of waste, fraud or abuse, pass it by and say that is somebody else's business and somebody else will deal with that, and the citizen just goes on and rumbles about it later but never takes any active step to do anything about it him or herself.

Do you have any specific steps that you could outline here today that would help us address this issue at the local and state level in getting the public involved?

Mr. BOWSHER. Mr. Chairman, one thing I think that has happened, which is a very good trend, is that as we now look at our own hotline and look at the hotlines run by the other departments, calls are handles much better so that we do not have as many follow-up calls. I think the public today has a sense when they call in they are getting responses and they are getting responses in a rather efficient manner. I think that is important because I think if that does not happen then the people become discouraged. So I think—and I suspect that the Inspectors General that will follow me here to the witness table will agree—that the way we are handling calls is much better than, say, seven, eight, nine years ago, and I think the public is being well served that way.

I think another area that might be tried, and I would suggest it be done more by the departments, is putting some advertisements in some of the publications that people would be seeing so that they know where to call. I know we have had the TV advertisements over the years, but I just wonder if some kind of advertisement in some of the proper trade magazines and association magazines, anything like that, is something that should be considered by some of the departments.

Senator SASSER. I think that is a good suggestion. I remember we did some public service television announcements about the GAO fraud hotline. We did that on two or three occasions; and if

memory serves me correctly, General Bowsher, in the weeks after those ads were done and were run by some television stations as public service announcements, in the media markets where those ads were run there was a pronounced increase in the number of calls that the fraud hotline received.

Am I correct in that?

Mr. BOWSHER. Your memory is absolutely correct. That is what happened.

Senator SASSER. Well, we need long-term solutions for the long-term problems of the deficit, and I think we need to activate every weapon at our disposal in combating the deficit.

As we will hear in testimony today, the Department of Defense reports that their hotline dollar savings over the past three years total about $82,500,000; $24,000,000 were the savings at DOD just in the past year alone, and the President's Council on Integrity and Efficiency reports that $12,000,000,000 has been recovered or saved in the past six months.

My question is this. Will you say it is a correct assessment that Congress use every available tool in its power, including savings from the hotline, to apply to reduce the deficit?

Mr. BOWSHER. No question. I think that we should do that. I think we have got to get this deficit down, and I think the savings coming from the hotlines are a good way of achieving it, and I am pleased that they are getting the results that they are.

Senator SASSER. For the record, I need to ask this question. Have there been any reports to the General Accounting Office of any mismanagement or misconduct by the Inspectors General themselves with the Federal departments and agencies?

Mr. BOWSHER. I asked my team that specifically a couple days ago, and they said that there had been about ten allegations over the years, none of which were really substantiated. There were some concerns, obviously. Of course, ten is a very small number when you consider the number of Inspectors General we have today. Even then when we followed up on them, why, we just did not find the charges to be substantiated.

I think on balance the Inspectors General's record is quite exemplary.

Senator SASSER. You are accompanied today by Mr. Carbone and Mr. Hugh Delaney, and it is my understanding that they are the hotline experts at the General Accounting Office.

Mr. BOWSHER. That is right. They run our hotline.

Senator SASSER. Let me ask this question of both Mr. Carbonne and Mr. Delaney.

Throughout the nine years of GAO's fraud hotline are details of substantiated GAO hotline cases which are closed in the past year. For instance, on page ten there is a reference to a man collecting railroad retirement disability payments for a bad back while he was self-employed as a house builder. Again, on page 11 there is a reference to Immigration and Naturalization Service staff attending a pool party on Government time.

While not to play down the importance of identifying and recovering these accounts of waste and abuse, can the American people rest assured that while you are going after the so-called little guy that you are also identifying and investigating abuses by major

Government contractors and those who seek to defraud the Government of literally millions of dollars? What is your response to that? Are you just going after the little guy here with petty complaints or are we going after the big boys who are really ripping off the Government to the tune of hundreds of thousands or, indeed, millions of dollars?

Mr. CARBONE. Based on the allegations turned into the GAO hotline—we screen those allegations—every one with substance is sent on to the appropriate Inspector General's office for investigation, and followed up by GAO. I think, as you remember, in many of the reports we have issued to you over the years, there have been significant contractor violations that we have substantiated and reported on. So I think we treat them all the same, and we look for the IGs and the enforcement community to pursue those allegations to the fullest extent.

Senator SASSER. Do you wish to add anything to that, Mr. Delaney?

Mr. DELANEY. No, sir.

Senator SASSER. What are some of the most outstanding cases involving some of the large offenders that you encountered in recent months or recent years?

Mr. CARBONE. Well, in this report we just issued to you today, Senator, we had one, even though the dollar amounts are not large, that involves Justice Department employees who set up a scheme to have toxic waste removed from a prison, from a prison industry run at that prison, and the person was taking the 55-gallon drums to his backyard, and in doing that there was a toxic waste spill that happened. The person calling us was upset because the Government was paying $25,000 to have that toxic waste cleaned up, plus they had to go back and hire a legitimate contractor to perform the services they should have performed in the first place. And he was upset that maybe a certain action was not going to be taken against these employees. We found out from Justice that three of them were dismissed and one demoted. And we followed up recently with EPA who was pursuing the criminal allegations and found that three employees were indicted on six counts and they have not gone to trial yet.

But there have been some others, I think in last year's report, on the faulty metal that was being supplied into the space shuttle program, and also that made its way into the USS NEW JERSEY battleship. There are numerous cases.

Senator SASSER. How many fraud hotline complaints did you get this year?

Mr. CARBONE. We had around 7500 calls which resulted in probably 1200 cases we felt were good enough to be referred on to Inspectors General or that we took a look at ourselves.

Senator SASSER. Do you know at this time how many of those cases resulted in prosecutions?

Mr. CARBONE. Just of those cases this year, I would say very few of them that we would have gotten back already, because it normally takes a year or two to get feedback.

Senator SASSER. How many were referred to Justice, do you know?

Mr. CARBONE. I cannot answer that question. I could supply it for the record.

Senator SASSER. If you would supply that for the record it would be helpful.

[The information referred to follows:]

The Hotline closed 634 cases between January 18, 1987 and January 17, 1988—the period covered by our 9-year report. Agencies reported to GAO that 23 percent (146 cases) were either substantiated (105 cases) or agency action was taken to prevent or minimize the possibility of an improper activity from occurring in the future (41 cases).

Of the 146 cases either substantiated or where corrective action was taken, 58 resulted in administrative action being taken against Federal employees through counseling, issuing warning letters, suspensions, requiring repayment or, in 21 cases, changing regulations or procedures. Administrative action was taken against non-Federal employees in 35 cases resulting in 22 cases involving reimbursement or recovery of loss.

The Department of Justice prosecuted 4 cases during this period that involved allegations received by the Hotline. All 4 of them resulted in convictions. Our records indicate that during this same reporting period, agencies referred 19 additional cases to the Department of Justice, based on their inquiries into GAO Hotline allegations, but they were declined for prosecution.

Senator SASSER. Describe for the record how the routine fraud hotline complaint is handled. Let's say that somebody in Knoxville, Tennessee, for example, sees what they perceive to be abuse of Government vehicles. How would they go about reporting that?

Mr. CARBONE. We take those allegations, we receive those quite often. They call the toll free hotline which is available around the country into GAO. We would interview them concerning the particulars of the case. Sometimes the people do not have all the information they need to report that allegation. But on interviewing that person that has the proper information—a license number and things of that nature—when we get that allegation, we will call GSA to find out who that car is assigned to. And at that point we send it to that appropriate Inspector General's office and then they respond back to us when the case is completed.

Senator SASSER. I see.

Thank you very much for your testimony here this morning. I want to express my appreciation for the reports that you submitted.

General Bowsher, we might want to give consideration to see if we cannot do more on those television ads or do some more public information work to let people know more about our fraud hotline.

Gentlemen, thank you very much for appearing here this morning. We appreciate your testimony.

Mr. BOWSHER. Thank you, Mr. Chairman, for all your support in the past ten years.

Senator SASSER. Our next witness this morning is going to be Mr. Derek Vander Schaaf, the Deputy Inspector General of the Department of Defense. We are going to be as quick as we can this morning with Mr. Vander Schaaf because my understanding is he has got to be at the Pentagon within an hour to catch a plane to go on a mission relating to his duties.

I hope you are not going to the Persian Gulf.

Mr. VANDER SCHAAF. Fortunately not.

Senator SASSER. If you would go forward with your testimony, Mr. Vander Schaaf, we would be pleased to receive it.

TESTIMONY OF DEREK J. VANDER SCHAAF, DEPUTY INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

Mr. VANDER SCHAAF. Thank you, Mr. Chairman.

It is a pleasure to be here. I have a fairly long statement,[1] so I will try to summarize it for you. Some of it has been touched on as you listened to the General Accounting Office witnesses.

I want to tell you up front that we in the Office of Inspector General DOD are very proud of our hotline. We have a hotline program and that program is now instituted on a DOD wide basis. The DOD IG's hotline, in effect, generated and provides oversight of the other hotlines that are operated by the Army, Navy, Air Force and some of the defense agencies.

We established our hotline program back in April of 1980. At that time it was a one-person operation. Today it is staffed by 16 full-time personnel, 12 who are professional auditors or investigators. We do a lot more than answer telephones in this process. We not only answer those telephones and review the written inquiries, but we make decisions whether or not to investigate, what type of investigation to conduct, who to assign the investigators to, and assess the efficiency and correctness of investigations that have been completed.

We also analyze completed reports and look for trends in allegations such as abuse of aircraft and the like, and then warn officials in the Department of Defense to avoid such potential pitfalls.

Finally we try to keep track of the quality and effectiveness of the military department and defense agency hotlines.

Since we organized and started the operation of our hotline, we have had approximately 66,000 telephone and letter contacts. About 15,000 of these have been substantive enough in nature that we have attempted to follow up.

Recently we have been averaging about 45 inquiries a day to our hotline. We currently have 734 open cases that are being worked.

Now, our current work load represents in a sense a decrease from our previous work load. I believe last year, we received just under 11,000 allegations. At our peak in 1985 we had nearly 16,500 allegations in a single year. But this decrease is understandable and has not hurt us in terms of substantive referrals. Some of it can be attributed to all the commands in the Department of Defense opening up hotlines of their own. Some of it is attributed to our desire to directly refer to other personnel in the Departments those allegations we do not consider to be fraud, waste and abuse related. They are not counted.

We have actually received less of the vague kinds of allegations that do not fall within the criteria of fraud, waste, abuse or mismanagement, so the reduction in contacts has been helpful.

As I say, in addition to the fraud, waste and abuse hotlines we have some other hotlines in the department. These hotlines deal primarily with procurement matters, procurement fraud in particular, and spare parts pricing. The Air Force and the Navy have been particularly active in this area. The Air Force has a program called Zero Overpricing, for which they opened a hotline, and

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[1] See p. 36.

people call in regularly to report what they believe to be spare parts or other items that the Department is purchasing that appear to be overpriced.

So the concept has spread. In fact, it is so widespread now that we have hotlines at practically every post, camp and station within the organization. The hotline concept is supported by defense managers up and down the line, because it works and it has shown to have integrity.

What kind of hotline allegations do we receive? Principally and primarily our biggest category has been procurement and contract administration issues. Those account for about 28 percent of the calls to the DOD IG hotline. Personnel matters constitute about another 20 percent of our hotline calls, and finance and accounting matters constitute about 12 percent.

Senator, in my statement I have a number of examples of cases, and these were picked out of literally tens of thousands we could have picked out.

Senator SASSER. Give us one. One picture is worth a thousand words.

Mr. VANDER SCHAAF. Someone called us and complained that crash-worthy helicopter seats were being purchased by the prime contractor for the helicopter, the helicopter manufacturer rather than being purchased by the Government directly. A direct purchase would avoid a lot of overhead costs that were tacked on. We looked at this, found the case to be unsubstantiated as far as the Army and Air Force were concerned, but found it was substantiated insofar as the Navy was concerned, particular the HH-60, the Blackhawk helicopter.

Senator SASSER. I am not sure I understand what you are saying.

Mr. VANDER SCHAAF. What I am saying is the Navy continued to allow the company, the manufacturer of the Blackhawk helicopter, in this case Sikorsky, to purchase those seats from another manufacturer, add profit, overhead and other aspects to it. It was determined that had the Government bought those seats directly as the Air Force and the Army were doing we could save substantial amounts of money, in fact, about $3,000,000 in that case. That policy has now been turned around.

There have been innumerable cases of spare parts pricing that we tracked down over the years. There is no way I can begin to even get to all of them. Just mention one briefly in my statement involving the computer modem, where the Army went out and reduced its proposed procurement from about the $1,300,000 level to $250,000, simply by someone taking a look.

Senator SASSER. What kind of look? Give us the detail on that.

Mr. VANDER SCHAAF. The kind of look we did in that particular case was we called and found out that the Air Force was buying exactly the same modem and was buying the spare parts for that modem. We took a look at usage factors in the Air Force as a result of this allegation and said no way, Army, can your usage factors be as high as you determined them to be. After some further checking, the Army agreed with us that their calculations were simply way off base and agreed to reduce the procurement.

Another typical example is one of use of improper overtime by an organization in the Department that was responsible for de-

stroying documents. The organization claimed a great deal of overtime. We received a hotline call that said these people were not working this much overtime. We put a surveillance on the organization and found they were working nowhere remotely close to the amount of overtime claimed. The individuals involved, five individuals, must return about $100,000 to the Government in false overtime payments.

In another example I have here—and this is again typical—a Navy captain had ordered unnecessary furnishings for his quarters and was supported in those requests by the civilian who ran the household goods and furnishings organization at that particular base. We have had innumerable calls involving generals and other high-ranking officers who attempt to obtain housing or accoutrements that are higher in quality or better than those that they are entitled to. Some want to abuse the system along those lines. That is another example of many that I have in the statement.

Another example I want to emphasize is one of the product substitution. This particular one was very egregious. It involved radar chaff and jamming cartridges that are fired out of the aircraft in order to lay a barrier preventing radar intercept of these aircraft. The manufacturer of these cartridges was using poor techniques and shoddy workmanship in the process. Many of the cartridges were, in fact, defective. He agreed to repair all the cartridges and it cost him about $12,500,000, if I recall correctly, to do that. Again, a product substitution case, one of many which have been brought to the attention of the DOD IG's hotline.

The final example in my statement is of a Navy rear admiral who used military operational aircraft for, what appeared to us, to often be nonbusiness related flying. There were other instances when commercial aviation was clearly available and much less costly. In that particular case the admiral resigned from the Navy. This is not an unusual outcome in many of our cases.

You asked the General Accounting Office about savings in this business. I think the earlier witness mentioned our savings figures, so I won't repeat those. Last year we identified 86 cases in which we had savings, a relatively small number of cases, but the savings added up to $24,500,000. In the past three years it was $82,500,000 in about 112 cases.

The point I am trying to make here is that from a cost savings standpoint the hotline is a low percentage-high stakes game. We do not receive financial savings in a large number of cases; but when we do, the dollars can become significant very quickly.

Mr. Chairman, I think you have to focus on far more than the dollar savings, and I am sure you are well aware of that. What we are looking for are problems that cause people to become upset with the lack of integrity of the Government process, who see abuse of office, abuse of power and authority, or simply even mismanagement. They are upset and need to get this off their chest. They have an opportunity to do that with our hotline.

I think we have a good record of results in seeing that these people's complaints are, in fact, checked out and we do attempt to get an answer back to them if they desire to have an answer and give us a point of contact where we can reach them. In many cases, of course, people choose anonymity, and its impossible to inform them

of the result or reward them. But even then, the person is quite often very close to the circumstances and knows that someone came to take a look and check out the allegations that were made.

I do have a hotline advisory group in our organization, and I am the chairman of that group, and I have been since I came back to the Department of Defense seven years ago. What we do with that hotline advisory group is look at all allegations made against high-level employees in the department GS-15s, and commissioned officers in the grade of 06 and above, because we want to be sure that allegations against them, in fact, have merit. We make some determination on who ought to look into those allegations. We tend to keep those types of allegations within the IG's office to insure independence.

We have not shied away from any case no matter how high ranking the individual was. When necessary we have taken on such officials as assistant secretaries of defense and secretaries of military departments with our cases.

In order to head off potential future waste and abuse, we try to take certain actions by analyzing hotline cases that have come to us before. One of the early ones that I noticed back in the 1982-83 time frame was abuse of military aircraft. It became very evident to us early on that this is a high payoff area and by putting out some announcements to our senior officers, et cetera, to watch out for this we were able to stop much of it. There were a large number of instances in which we got a telephone call that General So and So intends to fly from here to there. He intends to conduct personal business or the flight isn't justified for one reason or another. If we hear of it before the flight, we call the general and suggest he "rethink" his flight. In many cases, in fact, they do and the flight never takes place.

Senator SASSER. When the general rethinks his flight, when the flight does not take place, is that the end of it or is there any notation?

Mr. VANDER SCHAAF. In those cases that is generally the end. There is a record in the file it did not take place, but there is no disciplinary action taken or anything else. I think the picture becomes very clear to the individual involved that somebody is paying attention and there is probably no further action required in this particular case. On the other hand, if the aircraft is misused, there is likely to be some disciplinary action.

The final point I wanted to make to you, Mr. Chairman, is that we have to spend some time advertising these hotlines. You just cannot sit back and wait for the phone to ring. Public awareness is a very important piece of this business. We have done a lot to advertise our hotline. We use these hotline posters. In fact, Joe Sherick, the former Inspector General, would personally walk through the halls of the Pentagon. If he sees a bulletin board that did not have one of the DOD hotlines posters, you can believe he was upset. We have the posters everywhere.

We advertise in the back of the DOD phone directory. We have advertised on the Armed Forces radio and TV system on a regular basis. We use base newspapers, and we have brochures and various things to get across our ideas. In fact, defense contractors are required to fly this hotline poster, if you will, when they do not have

a hotline of their own and they have a contract of over $5,000,000 with the Department of Defense.

Mr. Chairman, that completes my testimony and I will be happy to try to answer your questions.

Senator SASSER. Thank you very much, Mr. Vander Schaaf.

You indicated earlier that the hotline operation at DOD has saved some $82,500,000 from 112 cases that your office has investigated over the past three years. Do you have any estimate as to the total savings that may have been achieved as a result of the hotline being in operation some eight years now?

Mr. VANDER SCHAAF. Let me give you some examples why it is very difficult to nail down the savings. I can give some examples of potential savings, but I do not credit them to the hotline. You read recently about Bell Helicopter settling with the United States Government for about $85,000,000 because of a parts pricing system and how these parts were moved between commercial work and Government work. Well, we received a telephone call about that matter very early on in that investigation, I believe way back in 1982 or 1983. Fortunately, auditors had already uncovered part of the problem, but it did not hurt for that caller to make that call and tell our office about it. We were then able to put on some additional pressure and our auditing organization took a look at the additional information.

In another case we recently gave an award of $10,000 to an individual for calling the hotline, although I cannot exactly measure the savings. In this particular case one of America's major companies had a contract with the Saudi Arabian Government. The Saudi Arabian Government made the company pay a tax on the business it did with Saudi Arabia. There is a foreign tax credit in this country which the company took. The company came around and billed the contract for the money to pay the foreign taxes. In other words, the company got reimbursed and then took the foreign tax credit in an amount equal, getting, in effect, paid a second time. The auditors had argued about this back and forth for some time. Finally, some young auditor who was interested in this problem called our office, and we were able to put some resources to this problem. It turned out that we needed to make a change in the Defense Acquisition Regulations. We made that change, and I do not know what the future dollar savings from that will be, but they will be tremendous. In this one particular case alone, I think the dollars involved were about $17,000,000. Total savings will exceed $100,000,000.

So there are payoffs from this hotline, as you well know, but sometimes you cannot put an immediate price tag on them. But for those where we can clearly do so, we do and I want to take credit in the past four years for about $86,000,000 in direct savings.

Senator SASSER. We know all contractors who do business with the Department of Defense, more than a million dollars, are required to tell their employees about the Department of Defense hotline, are they not?

Mr. VANDER SCHAAF. If they have a contract of over $5,000,000.

Senator SASSER. They are required to tell their employees about the DOD hotline?

Mr. VANDER SCHAAF. They are required now to use the hotline posters and, as you say, provide them with information on our hotline.

Senator SASSER. Or establish an in-house equivalent of the DOD hotline?

Mr. VANDER SCHAAF. That is correct.

Senator SASSER. So they can establish their own in-house hotline?

Mr. VANDER SCHAAF. That is a part of our self-government program. Many contractors have signed up, and they are taking steps on their own to police their own organization.

Senator SASSER. How is that in-house hotline system working? Do you have any idea on that?

Mr. VANDER SCHAAF. I do not have any direct statistics on hot lines, but some of it must be working because we had 85 voluntary disclosures from defense contractors since July of 1986, roughly a year, almost two years now. With those 85 voluntary disclosures, contractors have returned some $42,000,000 in checks to the department. In many cases ongoing criminal investigations and audits will recover significantly more money as those come to fruition.

Senator SASSER. How does an in-house hotline work? In other words, you got the contractor setting up his own hotline? How can you expect that contractor to inform on himself? Tell me how that works.

Mr. VANDER SCHAAF. We hope the contractor will inform on himself, because we believe that in most cases major defense contractors have no real reason to want to cheat the Government as a policy. But, you know, what happens is they put pressure on various cost centers within their organization and someone in the organization finds a way to cheat. Contractors do report on themselves as shown by the statistics I just gave you. The fact is we do not necessarily take them at their word. We go out and check and investigate those disclosures that are made to us. They generally use their general counsel's office as the organization responsible for their hotline or an ombudsman, some corporate ombudsman is sometimes referred to.

I believe this process works. How well it works, I do not know. I assume the larger the corporation and the more dedicated the corporation is to cleaning up and taking care of its own problems, the better it works. However, in the case of many small corporations where the proprietor owns the company, the owner and the corporation are probably the same individuals, obviously self-policing would not necessarily work.

Senator SASSER. I must say to you, Mr. Vander Schaaf, I would have much more confidence in the adversary relationship between the DOD hotline and the Inspector General's office there than I would with the contractor's own internal hotline. I just have doubts, somehow I am not so sure they work that well. Do you have any numbers to indicate how well it is working or how do you justify it?

Mr. VANDER SCHAAF. I do not have any numbers. I just think that on the basis that the contractor has to be given an opportunity to correct his own faults and mistakes, I think he is making use of this technique the same way the Government has made use of this technique. It does not mean that we are not adversarial with our contractors often enough. The contractors are here at the

United States Senate on a regular basis complaining about the adversarial relationship between them and our organization.

I do not believe one ought to say to them "you should not police yourselves." In fact, we are trying to say just the opposite. Clean up your own act and give us confidence that we can rely upon your accounting systems, your estimating systems, that you are able to manage, if you will, your own organization, and we will be putting less audit and oversight efforts on those organizations.

Senator SASSER. I think that is fine, but I also think that the employees ought to be able to leap over the contractor's hotline and call the DOD hotline.

Mr. VANDER SCHAAF. There is nothing to preclude that, absolutely nothing.

Senator SASSER. Are you advertising the DOD hotline in the locations where the contract has instituted his own hotline system?

Mr. VANDER SCHAAF. Yes. Keep in mind that we started this new provision in the Defense Supplement to the Federal Acquisition Regulations, back in October of 1987, Mr. Chairman. I have not seen a decrease in calls from contractor employees since that went into effect as compared to calls received prior to that time.

I think the hotlines, in effect, complement each other. By the very nature of them putting up their own hotline, they also have to say to the employee that if you are not satisfied with this hotline and you do not trust us, call the DOD hotline. So it increases our advertising or our visibility, if you will. It does not detract from it.

Senator SASSER. Thank you, Mr. Vander Schaaf.

Senator Mitchell, do you have any questions of this witness?

I am delighted to be joined here this morning by another distinguished member of this Subcommittee, Senator Mitchell of Maine.

OPENING STATEMENT OF SENATOR MITCHELL

Senator MITCHELL. Mr. Chairman, thank you, no. I do have a statement which I ask be placed in the record at an appropriate time.

I will not be able to stay. I merely wanted to come to commend you for holding the hearings and to stress the urgency from our standpoint of these programs working effectively; that the need to insure effective, efficient operation by the Government is an ongoing struggle, one that requires continuous vigilance, effort and oversight.

I thank you, Mr. Vander Schaaf, for your testimony.

Mr. Chairman, I commend you for these hearings.

[The statement of Senator Mitchell follows:]

PREPARED STATEMENT OF SENATOR MITCHELL

Mr. Chairman: I'm pleased to be here today with you and the other members of the Subcommittee to conduct oversight hearings on the fraud hotlines within the General Accounting Office and other Federal agencies and departments.

I want to begin by commending you, Mr. Chairman, for your continuing interest in this subject and your diligence in pursuing it with vigor and enthusiasm.

Human nature being what it is, it's probably impossible to eliminate entirely waste, fraud, or abuse in the far-flung operations of an entity as large and complex as the Federal government.

But, that shouldn't preclude the Congress, working in concert with the Executive, from trying to make certain that taxpayers' dollars are spent wisely, correctly and according to regulation or statute.

Fraud Hotlines, which have been operation for about nine years, may be among the most effective tools available to us in combatting waste, fraud or abuse in federal expenditures.

The testimony from GAO and officials knowledgeable about the oprtion of similar hotlines in other federal agencies will provide the Subcommittee anecdotal and more empirical evidence as to the success of hotlines in identifying and correcting instances of improper spending by federal agencies, government contractors, and individuals.

I have only two concerns about this subject, Mr. Chairman, which I hope will be discussed by today's witnesses.

First, efforts at reducing or eliminating abuses in federal spending practices cannot be successful if they are limited to only the tools by which abuses are indentified and corrected and the appropriate individuals disciplined.

It's equally important that an atmosphere be present in the workplace that encourages and rewards diligence, frugality and integrity.

Second, in order for government efforts at combatting waste, fraud, and abuse to be effective and maintain public support the efforts cannot be directed at the "small guy" or specific types of programs or agencies.

The public must have confidence that any individual, in the private or public sector, at the top or the bottom of the economic ladder, or in domestic discretionary or military programs who engages in practices to defraud the federal government stands an equal chance to be identified and punished for their behavior.

Mr. Chairman, again I want to commend you for scheduling this morning's hearing. I look forward to the testimony of this morning's witnesses.

Senator SASSER. Thank you very much, Senator Mitchell.

Thank you, Mr. Vander Schaaf, for your testimony here this morning and keep up the good work over there at DOD.

Our next witnesses this morning will be the Inspector General for the Department of Health and Human Services, Mr. Richard P. Kusserow, and Mr. Robert Beuley, the Inspector General of the U.S. Department of Agriculture. These two witnesses have served with distinction on the President's Council on Integrity and Efficiency, and at least a portion of their testimony will be devoted to a summary of the activities of the President's Council with regard to combating fraud, waste and abuse in the Federal Government.

Gentlemen, we look forward to your testimony and your assessment of the effectiveness of the fraud hotline concept, and we will begin with you, Mr. Kusserow.

TESTIMONY OF RICHARD P. KUSSEROW, INSPECTOR GENERAL, DEPARTMENT OF HEALTH AND HUMAN SERVICES [3]

Mr. KUSSEROW. Let me start, Mr. Chairman, with some discussion about the President's Council on Integrity and Efficiency, and then I can proceed into our own hotline.

The President's Council on Integrity and Efficiency was established by President Reagan's Executive Order in March of 1981. The purpose of it was to coordinate and implement Government-wide activities to combat fraud and waste in the Federal programs and operations. The membership includes all 19 of the statutory Inspectors General. It also has a designee from the Department of the Treasury which has no statutory Inspector General, the Deputy Attorney General of the Justice Department which has no statutory IG, the Executive Assistant Director of the Criminal Investiga-

[3] See p. 47 for Mr. Kusserow's prepared statement.

tive Division of the Federal Bureau of Investigation, the Deputy Director of the Office of Personnel Management, the Director of the Office of Government Ethics and the Special Counsel for the Merit Systems Protection Board.

The PCIE operates through its standing committees which represent the major directions of the Inspector General community. The current committees include audit, computer, administration, inspections and special reviews, integrity/law enforcement and legislation. We have a number of Government-wide projects in which we use our harnessed resources to ferret out the various abuse and waste that is in the Government.

The fact is my colleague here, Mr. Beuley, will be talking about one of our projects, the review of our own hotline program.

The Council is involved in over 30 projects in the priority areas of improved credit, cash and financial management systems, effective use of investigative techniques as well as civil fraud remedies, increased controls in automated information systems and maintenance of trained and qualified professional staff.

Since 1981, the combined OIG efforts have led to recovery or funds put to better use in excess of $104,000,000,000. This includes the full categories of savings, restitutions, fines, settlements and avoidance of unnecessary expenditures.

In the last six months alone this figure amounted to about $12,000,000,000. We have also demonstrated significant accomplishments in the area of successful prosecutions of those individuals who would defraud or otherwise criminally violate our programs. Some 4,000 convictions were realized during 1987 with a cumulative total since 1981 of 22,965. We also get involved in the area of administrative sanctioning and the debarment or the exclusion of people doing business with the Government. The sanction total for 1987 exceeded 2,000. We have had a cumulative figure since 1981 of over 8,000 individuals and entities that have been so sanctioned.

Our overall investigative recoveries alone, including the amounts recovered through the administrative sanctions process as well as the courts, have had a cumulative total just in that one aspect of a billion dollars since 1981.

So we are pretty pleased with the accomplishments to date.

I did include, Mr. Chairman, as part of my testimony charts that track the development of these various statistical categories and that, of course, will be part of the report as a result.

Now, Mr. Chairman, if I could turn to HHS a little bit, I would like to discuss our hotline program. We were the first statutory IG office created in the Federal Government in 1975. Soon after the GAO established their hotline we followed suit. In 1981 when I became the IG I made certain changes. Up until my tenure the hotline was an in-house hotline for employees of the department. I felt that was too narrow. I felt we should reach out much broader than that to those individuals that would deal with our department.

Unlike the Defense Department, we represent quite a contrast. We are not a contract procurement agency as such, but we are an agency that delivers services to intended beneficiaries. In that capacity, as being the largest department of the Federal Government, and also dealing more directly with citizens of this country than

the rest of the departments put together, we felt we needed to extend out that resource.

We have over 50 million Americans that receive monthly checks and other benefits directly from our department. These are the aged, infirm and disadvantaged who depend on us to sustain payments by such programs as the Social Security Administration, Old Age Survivors Insurance, disability insurance, SSI. We also have a number of other programs in foster care, adoptive services, Head Start and a number of other areas. So we want to reach out to those folks as well.

Since 1979 with the creation of the hotline we have had a very large number of contacts. We have had over 50,000 contacts. I think I would like to differentiate between contacts, if you will, and allegations because in the nature of our department we find about half of the calls that we receive from the public are really calls for requested information as to how they got paid services or confusion about their benefits or what Social Security office to go to.

So one of the changes we had to institute in the last few years—and I think this goes along with what Mr. Bowsher said about the fact we become more efficient in the way we do business—is we are now handling about half our cases right up front over the telephone by responding to the needs of these beneficiaries of our department's programs. We have only about half of those that do result in more substantive types of allegations.

The thrust of the allegations that we get in our department, first and foremost, relate to quality of care for such things and overcharging by medical providers and reports of medical services being double billed or not having been received. That represents a very large majority of the complaints that we have that we follow up on.

The next highest category are calls that pertain to questions or complaints about programs related to the Social Security Administration, usually individuals that are reported to be receiving benefits they are not entitled to, where they have obtained them inappropriately or fraudulently.

The next largest category really relates to numerous complaints about problems associated with the Aid to Families with Dependent Children program and the Family Support Administration. Many, again, of our allegations relate to the Office of Child Support Enforcement, the absent father that has not been supporting his family.

So we have had a lot. I would like, if I could, Mr. Chairman, to give you a flavor of some of the hotline complaints we have had that resulted in some positive outcomes. We have, for example, in Detroit an employee with an insurance company which processed Medicare payments. This caller reported suspicious behavior of another employee in the area where she was not supposed to have access. The subsequent investigation by our office showed that the employee had embezzled $106,000 of Medicare and private insurance checks which she had used to send to 14 different relatives and friends as cut-outs. So that probably would not have come up had it not been that an insider provided some leads to us on that embezzler employee.

Another area, fairly typical, of the kind of provider case we get is a hotline tip that came from a physician that said that an osteopath was paying kickbacks to other physicians that prescribed his heart monitoring device to patients. As a result of our investigation we were able to prosecute that individual for false billing and kickbacks. In addition to being put in prison, he was fined $100,000 and suspended from participating in the Medicare and Medicaid programs as well as losing his license.

Another kind of typical case we get results on are counterfeit Social Security cards. We found a printing company in Houston, Texas was printing a thousand blank Social Security cards bearing the HHS seal. It was then being used in many cases to document aliens coming into the country unlawfully. They, in fact, were even selling them at flea markets, and this is a case that we would not have gotten on top of had it not been for the assistance of somebody calling in.

Another case that is relatively typical is the situation where somebody tipped us off in the Medicare program. It was a physician who was, in fact, submitting false bills relating to x-rays being performed. As a result of that, we were able to obtain a $200,000 check from that individual when he was caught and returned that money to those attendant programs.

So we have a large number of cases that do result in meaningful results, but I would like to underscore some of the testimony you have already heard this morning and that you really cannot measure the full effect of these hotlines in dollars and cents.

Senator SASSER. That is correct.

Mr. KUSSEROW. There are other things we look at. One is being responsive to the public with regard to confusion and concern about their program benefits or how they can resolve an individual problem. It may be free from fraud or abuse but one that is confusing to our beneficiaries, many of which are elderly and have trouble understanding the bureaucracy of the Federal Government. We are providing that service.

In addition to providing leads to investigations that result in convictions and other sanctions, one of the things that needs to be pointed out, as Mr. Vander Schaaf said, is that oftentimes you get confirming information or missing pieces in an ongoing investigation that is provided by somebody calling into a hotline. Even though the full case is not credited to the hotline for that evidence, it provided a piece that might have led to a greater success than would otherwise be available.

Of course, the real difficult area to quantify is the indirect benefits. If you begin to see a pattern of calls coming from one part of the department or one part of the program of the department, oftentimes it tells us we have a management problem or a mismanagement problem, that there is something wrong in that entity. Maybe the allegations themselves really do not describe what the problem is, but there certainly seems to be a morale problem or something is not quite right, and that oftentimes causes us to redirect our audited work plan to encompass those areas to see if we can ferret out what it is that is causing so many employees to feel so dissatisfied with the program.

Similarly, when the public calls in about confusion or problems and it becomes a pattern, what we find is that it helps us identify programs that really require some change or improvements, so that it does provide better services to the public. And so from that standpoint that is a very important benefit but one, again, that really cannot be fully quantified. So I think that there is a lot of great benefit to this program in appealing to our own employees for assistance and also appealing to the public.

With that, Mr. Chairman, I would like to reserve whatever time I have left to questions and see if we can respond to them.

Senator SASSER. Mr. Beuley.

TESTIMONY OF ROBERT W. BEULEY, INSPECTOR GENERAL, DEPARTMENT OF AGRICULTURE

Mr. BEULEY. Thank you, Mr. Chairman.

I would like, if it is all right with you, to submit a prepared statement for the record [4] and present a few highlights to you today.

Senator SASSER. It will be received in full.

Mr. BEULEY. Since 1981 when the President's Council on Integrity and Efficiency began reporting its accomplishments, over 133,000 complaints or allegations of fraud, waste or mismanagement have been received by the Inspectors General, over their hotlines. Within the last six months of fiscal year 1987 alone over 10,000 allegations were reported by the IGs. This number has remained relatively constant for each six-month period since October 1984. I have provided additional detail of these trends for the record.

Since 1984, four agencies have received most of the hotline complaints each year. Of approximately 20,000 complaints, for example, in fiscal year 1987, 54 percent were received by the Department of Defense, 11 percent by the Department of Labor, 9 percent by the Department of Health and Human Services and 7 percent by the U.S. Department of Agriculture.

To give you a profile of hotline activity, in the U.S. Department of Agriculture, I would like to just comment on a few statistics. Of approximately 1500 complaints received on our hotline during fiscal year 1987, some 79 percent were anonymous. Nine percent of the callers gave their names and said they wanted to stay confidential, and the remaining callers, 12 percent, identified themselves. We believe the vast majority, some 91 percent, were from the general public based on the types of allegations they were giving and the kind of information they had, and the remaining 9 percent were from employees.

Approximately one-third of the calls we received were information or opinion calls which did not contain enough information to allow further action. Of about 1,100 complaints closed in fiscal year 1987, just over 200 or 20 percent contained allegations that were substantiated. Three-quarters of the complaints we received in Agriculture related to programs administered by the Food and Nutri-

[4] See p. 59.

tion Service, and were primarily recipient cases in the food stamp area.

Senator SASSER. Seventy-five percent of the complaints are food stamps?

Mr. BEULEY. Food and Nutrition programs, which is primarily food stamps. There are some complaints in the Women, Infants and Children, and School Lunch Programs, but the bulk are food stamp complaints.

While not all allegations received and investigated by the IGs are substantiated, many hotline calls have resulted in significant savings and recoveries to the Government.

Senator SASSER. What percentage of food stamps complaints are substantiated?

Mr. BEULEY. I will provide that for the record. Of the cases we close, about 20 percent are substantiated; and that rate is about the same for food stamps related complaints, but I would like to provide that for the record to give you an accurate figure.[5]

To give you some examples, one source alleged a self-insured contractor overcharged the Government for workmen's compensation insurance premiums. An investigation resulted in the contractor's agreement to reduce the workmen's compensation costs to the Government by $27,500,000. A later review of the results of the inquiry resulted in the company being notified that an additional $5,000,000 was due the Government.

In another case from another IG office, a caller alleged abuse of student financial assistance programs. An audit substantiated the complaint that students at the postsecondary school were unqualified and ineligible for the program benefits. The school was ordered to refund some $2,700,000 to the Government.

Nonmonetary violations of law have also been thwarted by hotline callers. One case happened in Agriculture. An investigation of a hotline complaint uncovered a scheme to bribe a Federal employee to obtain his help in smuggling illegal aliens into the United States. Two persons were arrested on smuggling charges, and four illegal aliens were arrested and detained. Our work with the Customs Department in that case stopped a maiden voyage of a smuggling operation of illegal aliens.

In 1986 the PCIE undertook a study of the Federal hotlines. This study was conducted under the auspices of the Prevention Committee, which I chaired, and directed by William J. Doyle, III, Inspector General of the Railroad Retirement Board.

Twenty-one Inspectors General, the Federal Bureau of Investigation, the General Accounting Office and the Department of Justice were included in this study. The topics addressed included reporting terminology, standards and procedures, hotline functions, personnel and related issues, automation, confidentiality and protection of callers, feedback to callers and organizational placement. The final report was issued in September 1987. We can submit that for the record if you would like. In general the study found some diversity in the staffing, procedural, and reporting aspects of the

[5] The information referred to was not received by the time the publication went to press.

IG hotlines. This was due to some extent to the variations in volume and nature of complaints received by each agency.

The study team found that hotline systems include nine common functions: namely, a hotline publicity activity, complaint receipt system, initial screening system, complaint referral, follow-up on the referrals, record keeping and reporting, periodic trend analysis, analysis of complaints and complaint investigation/audit where deemed necessary.

The study also found each IG was doing a good job in protecting the confidentiality of complainants.

The study team made several recommendations to make the hotline operations more uniform and to help smaller agencies establishing hotlines.

This concludes my statement.

Senator SASSER. Thank you very much, Mr. Beuley, and I thank you, Mr. Kusserow.

Gentlemen, I thank you for appearing here today, and I want to commend you for the good work that both of you are doing.

Mr. KUSSEROW. Thank you, Mr. Chairman.

Mr. BEULEY. Thank you.

Senator SASSER. Our last witness today will be the Honorable Norman A. Zigrossi, the Inspector General for the Tennessee Valley Authority. Mr. Zigrossi has done an excellent job as Inspector General of the Tennessee Valley Authority; and I am particularly pleased, Mr. Zigrossi, that you have seen fit to institute a fraud hotline at the Tennessee Valley Authority.

As you know, the Tennessee Valley Authority is the largest governmental agency in the State of Tennessee, and over the past few years I have gotten many, many complaints about what has been going on in the TVA bureaucracy. I had meetings in every county in the state of Tennessee over the course of the year, and anybody who wants to come is invited to come. I remember that after every meeting, until just not too long ago, there would always be a small group of people waiting to meet with me privately. Always it involved a litany of complaints against TVA, allegations of fraud, abuse, mismanagement, et cetera. Some of these complaints may have been valid; others were disgruntled employees, et cetera.

I was not really, and the Senator's office is not, in a position to take down every one of these complaints, investigate them to a conclusion, although we did the best that we could under the circumstances.

But I am pleased to say to you, Mr. Zigrossi, that since you have taken over as Inspector General of the Tennessee Valley Authority and since you have installed this fraud hotline at the TVA the phenomenon of these people waiting to see me after the meetings were over to pour out their complaints to the Senator has simply evaporated. We just do not see these people at the meetings anymore, and I think they feel that they have got now an escape valve or a channel for channeling their complaints and seeing there is investigation.

For that, I personally thank you and I think the people of the Tennessee Valley Authority would thank you also.

So I look forward to hearing your statement and comments this morning, and then we will have some questions.

TESTIMONY OF NORMAN A. ZIGROSSI, INSPECTOR GENERAL, TENNESSEE VALLEY AUTHORITY

Mr. ZIGROSSI. Mr. Chairman, I would like to thank you for the opportunity to appear here this morning; and with your permission I would like to submit my testimony for the record [6] and then possibly comment on some of that testimony and answer questions.

Senator SASSER. Your testimony will be included in the record.

Mr. ZIGROSSI. As you know, the Board of Directors established the Office of the Inspector General at TVA during October of 1985. I reported to TVA as the first Inspector General during January of 1986 and within a month I established the hotline. I did that because I sensed a need for the Valley citizens, a need for them to be able to express some of their concerns. I sensed there was an awful lot of unrest at that time.

In the first six months of the hotline's operation we received approximately 300 calls. So I guess our sense was correct. In the first two years of the hotline's operation, we received over 960 complaints. Of those 960 complaints, approximately 58 percent emanated from the current employees, approximately 27 percent were received from the public at large, and another 15 percent from former TVA employees.

Of the types of complaints received, the largest category of complaints revolved around personnel matters, second, was fraud and waste, and third, was the TVA nuclear program of which 18 percent of all the complaints we received on the hotline pertained to the nuclear program.

Our hotline is staffed from 8:30 in the morning until 4:30 in the afternoon. We have a recorder at other times to record the complaints. We were fortunate to acquire from other parts of TVA experienced personnel to handle our hotline. Less than 50 percent of the complaints that we receive from the hotline have resulted in formal OIG investigations. Approximately 20 percent of the case load that we are currently working has resulted from hotline complaints. We estimate that approximately seven man years are utilized each year just in resolving hotline complaints.

Some examples in terms of results of the hotline complaints are: one, a major contractor was identified through a hotline call as overbilling TVA. Upon our inquiry, and as a result of the inquiry, the contractor is presently participating with the Office of the General Counsel in negotiating to resolve our findings. If our findings are upheld, we could save TVA as much as $1,700,000 with that one phone call alone.

Two, we have another investigation ongoing where the contractor was involved in fraudulent billing. In this instance we could save TVA as much as $150,000 and also criminal prosecution could result.

Three, we have referred to date 15 cases to the United States Attorney that have resulted from hotline calls.

Four, we have terminated the employment of three TVA employees as a result of information received from our hotline.

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[6] See p. 67.

So the hotline is very active. I think it is good for the citizens of the Valley. I think it is good for TVA employees, because I think they truly feel that they do have someone they can call and get some kind of a result.

Senator SASSER. Mr. Zigrossi, what percentage of the hotline complaints that you get actually turn out to have some validity?

Mr. ZIGROSSI. Under 50 percent. At the present time 20 percent of our case load has emanated from a hotline complaint. So I would say the percentage is fairly substantial. Twenty percent, 25 percent at the present time and, of course, that varies.

Senator SASSER. I am surprised that many would have validity, quite frankly.

Mr. ZIGROSSI. It does. In many instances now some of the information received by the hotline is supplemental information. We may have an ongoing investigation, and someone may call and provide us with additional names or information or facts regarding that investigation.

Senator SASSER. Well, I think that is probably one of the more helpful features of a hotline. The Comptroller General, Mr. Bowsher, noted a key element of a successful hotline has been to provide the GAO with information that would help identify flawed management, contract policies that ought to be corrected by an agency-wide change in policy, for example, and also he has indicated that it fills in the gaps on occasion in an investigation and helps identify some personnel practices or management practices that need to be changed.

Are you having that experience in TVA also?

Mr. ZIGROSSI. Yes, we are, but I would like to regress for a second because I may have misunderstood the previous question. In terms of the validity of the hotline complaints, 20 percent is high. That is what emanates in investigations. In terms of substantiation of allegations, that percentage is less than five percent. I would like to clarify that.

So your second and most recent question, yes, we have, for example, received numerous complaints on nepotism or favoritism. As a result of those complaints, because of the numbers, we decided to conduct an audit and we, in fact, conducted an audit in terms of TVA's nepotism and found that TVA was complying with the law as it exists. However, we also found there were some practices taking place that should be changed, and we recommended those changes. TVA management has adopted those changes, and I think it gives a better flavor to what TVA management is trying to do in that instance in satisfying the employees that nepotism will not be tolerated.

Senator SASSER. Let me ask you this. How has the Board and how has management received the Inspector General's office?

Mr. ZIGROSSI. Well, in terms of support, there is no doubt in my mind that we have their support totally. In terms of acceptance, it is human nature that no one likes to be told they are doing something wrong, and there is no question I fight that and I fight it all the time. However, I consider that part of doing business. They do adjust. They do listen to our recommendations. They do improve and make management changes. They submit corrective action plans, and we track those plans to make sure they are instituted.

I think in the long run there, the better the atmosphere becomes. I definitely think there has been a positive impact. I think we have been accepted by management. We are not going to go away, and they are living with us and trying to improve their management practices. But in terms of the Board's support, especially for my independence, they work very hard at making me independent and ensuring that my independence is valid.

Senator SASSER. As you may or may not know, there was resistance over a number of years on the part of TVA to the creation of an Office of Inspector General. I suppose that is normal human or bureaucratic resistance to an outside inspector coming in and looking over their shoulder. Finally they acquiesced in that party as a result of some of the problems that were obvious at TVA and were getting widespread publicity.

I sense now the Inspector General's office has gone a long way in combating the problems and preventing the development of problems that might otherwise have blossomed in full bad odor had not the Inspector General's office been there. I suspect that the Board and the management probably perceive that because they are probably having the same experience I had as I get around Tennessee, and that is I am not buttonholed now by complainants constantly as I was a few years ago. We do not hear as many horror stories, and they may be substantiated or may be unsubstantiated, as we used to hear a few years ago, and I think your office is responsible for that in large measure.

You get complaints about the TVA nuclear program. How are these complaints handled? Are they handled solely in the Office of the Inspector General or are they referred elsewhere to TVA?

Mr. ZIGROSSI. We essentially handle all of the complaints with the exception of safety issues, because we feel that we are not qualified to do that in terms of expertise. So the safety issues are referred back to Nuclear Power, and then we track them to ensure that the safety issue is looked at. We demand a response from Nuclear Power and a resolution for the complaint. Every other complaint received, we resolve; we investigate and handle those matters. Approximately 18 percent of our hotline calls are related to the Office of Nuclear Power. In terms of the Inspector General's office, total, I would say as much as 75 percent of what we do at any given time would relate directly or indirectly to the Nuclear Power program.

Senator SASSER. Well, on the hotline calls themselves, these people are guaranteed anonymity, are they not?

Mr. ZIGROSSI. If they request that, that is true. We have a confidentiality policy, and we will contact them. We have forms to ensure it is properly done, and we will maintain confidentiality. We will also take and work anonymous complaints as long as there is sufficient data so we can initiate an investigation.

Senator SASSER. What type of complaints do you get generally in the nuclear program? Do they fall under any particular category, the majority of them?

Mr. ZIGROSSI. Most of the complaints we get as it relates to nuclear are personnel-type complaints, wrongdoing in the sense of waste and some fraud as it relates to some of the contractors. A small percentage are safety issues.

Senator SASSER. Now, when you receive these calls on your hotline, how do you keep track of them? Is each one of them given a discrete identification number and a record kept of how the case is resolved?

Mr. ZIGROSSI. That is correct. Each call receives an identifying number. It is put in a computer. We have a case tracking system, and it is tracked from the second that we get the call until the case is resolved.

Senator SASSER. Well, Mr. Zigrossi, just give me your idea of how important this hotline is in the operation of your office. Is it an important function as far as your office is concerned and, if so, why?

Mr. ZIGROSSI. It definitely is. In fact, I recognized early on when I first got to TVA, even before I had a staff, that the most important thing for any Inspector General's office was credibility and our ability to service the citizenry. This is my direct link to the citizens of the Valley. They know that if they come to me they will get action. I do not always give them the answers they want, and sometimes they are disappointed. However, I do give them a professional investigation in the findings. I can only deal with the facts that I find. So I do think it is important. I think it is probably the most significant thing I have done in terms of allowing or establishing credibility in my office with the citizens of the Valley and the employees because they can get to me without having to deal with management. I think that is a safety valve they enjoy, that they never enjoyed before.

Senator SASSER. Well, I think you are quite right. I think one of the great things about these hotlines is not only do they provide information about fraud or waste or abuse, but they do let the other employees know that they are being watched to some extent, not by "Big Brother," but that they do have to conform to certain norms. If they do not, then there is a chance they are going to be called to account for it. That is important for the hotlines. But I think it is also equally important in that it is helpful for morale of the other employees. If they can report or know that they can report a wrongdoing or abuses or mismanagement, rather than having to live with it day after day and tolerate it day after day, I think that is a great morale booster for employees, and I think these fraud hotlines are also a great way of spotting management practices or management procedures that may have been instituted in all good faith that simply are not working well and need to be corrected; and over a period of time I think these hotlines can identify a pattern of problems that could be corrected by different management practices.

Mr. Zigrossi, I want to urge you in the strongest possible terms to make the most effective use of the fraud hotline. Testimony here today from the Comptroller General of the United States and the Department of Defense clearly indicates that the fraud hotline works well, has a chilling effect on those who seek to defraud the Government and mismanage Government operations for their own personal gain.

I am really pleased to hear that within the two years since you have instituted a fraud hotline at TVA that it has enabled you to take some strong and decisive action against contractors that might be seeking to defraud the Tennessee Valley Authority and to

ferret out some employees that may have been acting dishonestly, although I want to emphasize that the overwhelming majority of the employees of the Tennessee Valley Authority, as are the employees of the Federal Government, are dedicated public servants, and I do not think they ought to be tarred with the same brush as the very few who might engage in this conduct.

So I want to encourage you, Mr. Zigrossi, to keep up the good work that you have undertaken and urge you to publicize your hotline as best you can and continue to make sure that the hotline that you instituted in TVA continues to be a front line tool to make TVA management more efficient and more effective.

We appreciate your appearing here today, and I hope that you will keep us posted on a periodic basis as to the results of your hotline operations.

Mr. ZIGROSSI. I will do that. Thank you, Mr. Chairman.

Senator SASSER. Thank you, Mr. Zigrossi.

I want to thank all of our witnesses today for appearing. This is the fraud hotline's tenth birthday, if you will, or it will be its tenth birthday this November. The hotline was pioneered by the General Accounting Office at my suggestion. It has been in use now or been put in use at 21 Inspectors General offices and it is working well.

So let us continue to let it work well and let the American public know that they can take direct action to combat waste, fraud, abuse and mismanagement in their Government just by picking up the telephone and calling the fraud hotline.

The Subcommittee stands adjourned.

[Whereupon, at 11:48 a.m., the Subcommittee adjourned to reconvene at the call of the Chair.]

APPENDIX

Statement of
Charles A. Bowsher, Comptroller General
of the United States

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you to discuss the experience we have had with the GAO Fraud Hotline.

GAO created the Hotline some 9 years ago as a mechanism for combatting fraud, waste, and abuse in federal expenditures. We established it following your own suggestion, Mr. Chairman, and with the support of the full committee. Based on nearly a decade of experience, I am pleased to report that the GAO Fraud Hotline has been a significant success. That success can be measured in several ways.

First, by numbers of calls. As of January 1988, GAO had received more than 94,000 calls on our toll-free hotline. This is an impressive number. Moreover, this number does not include the large volume of calls received on similar hotlines maintained by the 19 statutory Inspectors General; various federal, state, and local agencies; and private contractors.

A second measure of success is results achieved. As of January 1988, we had made about 14,000 referrals of Hotline calls to federal agencies. Approximately 11,250 of the referred cases had been closed. Of these, nearly 20 percent were either substantiated or resulted in preventive action by the agencies. In addition, in 146 of the substantiated cases, criminal actions were brought, resulting in 47 convictions. In many others, the

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agencies took strong disciplinary actions against federal employees, contractors, and individuals. These actions included dismissals, suspensions, demotions, debarments, and cancelled contracts and grants.

A third indication of success is that additional hotlines, similar to those operated by the GAO and the Inspectors General, have been established by various federal, state, and local agencies. We believe this expansion of hotlines has resulted from the success GAO and the Inspectors General have had. Moreover, many Defense contractors have instituted their own hotlines as mechanisms for detecting employee misconduct and answering questions from employees concerning business ethics and contract compliance.

Fourth, the important information generated by the Hotline has alerted agencies to take needed actions to prevent or deter conduct that can result in waste, fraud, or mismanagement. In addition, this information often has been of significant help in generating agency audits and supporting ongoing agency investigations. Further, we believe the existence of the Hotline has been a deterrent factor.

On the basis of substantiated cases, there is good reason to believe that millions of dollars in waste, fraud, abuse, and mismanagement have been uncovered as a result of calls to the GAO

Fraud Hotline. Indeed, of the substantiated cases against Defense contractors, some have involved very large sums of federal money. It is, at the least, uncertain whether those cases would have been uncovered if not for the Hotline.

We have examined our hotline operation in some detail to learn as much as possible from our 9-year experience so as to be in a position to shape the Hotline mechanism into an even more effective instrument in the future. I would like to briefly highlight some of the statistics from our 9-year Hotline summary we provided you this morning.

For example, who makes use of the Hotline? We have found that of the calls warranting further review, 7 of every 10 persons wished to remain anonymous. At least 25 percent were federal employees.

We have also determined that the calls warranting further review tended to focus on particular agencies. Two agencies collectively received nearly half the cases we referred--the Department of Health and Human Services (27 percent) and the Department of Defense (19 percent).

Further, nearly 40 percent of the allegations were against federal employees concerning matters such as work-hour abuse, private use of government property, and theft.

Of the substantiated cases, nearly half were against federal employees. Nearly one-fourth were against federal contractors or grantee organizations for such violations as improper expenditures of government contract or grant funds, noncompliance with established procedures, and failure to perform contract or grant services in an acceptable manner. Slightly more than 1 of every 5 substantiated cases involved individual recipients of federal financial assistance accused of fraud in welfare, social security disability, and housing programs.

We have also attempted to determine the major elements necessary for a successful hotline. On the basis of our 9 years of experience, we have identified the following necessary elements:

-- a clear statement of the hotline's mission and objectives;

-- staff with interview skills and program knowledge, in sufficient numbers to handle call volume;

-- controls to protect the confidentiality of callers, which is extremely important because many of the allegations are sent outside Inspector General offices and many callers fear recriminations;

-- internal guidelines to evaluate and classify allegations received through calls or letters;

-- policy that inquiries into the allegations are performed by independent and qualified personnel, and

-- procedures to monitor cases to assure they are being handled and resolved properly.

Another element that warrants special attention is the reciprocal support among the hotline community. One example of this support is case referrals. Another is training. GAO, for example, is involved in joint training efforts with officials of several Inspector General hotlines so each hotline can benefit from the experience of others.

The success of other government hotline operations has led to a reduction in the use of GAO's hotline. The fact is, we receive fewer calls today than in the past. As you know, this has prompted us to make changes in our hotline procedures.

These changes are designed to expedite action and eliminate unnecessary redundancy, while assuring the continued efficiency and effectiveness of our operation. Specifically:

-- We now suggest to persons who allege that individuals have fraudulently received government benefits that they call the toll-free hotline of the responsible agency.

-- In matters of less serious concern, we no longer ask that the agency to which we refer cases provide us with final disposition reports. However, we continue to track through to completion allegations of a serious nature, or those that suggest a systemic problem. Further, we continue to conduct our own investigations of allegations against Inspectors General and those concerning agencies without Inspectors General.

With these changes, and without increasing our staff size, we are able to devote more effort to overseeing agency hotlines.

Our objective in implementing the GAO Fraud Hotline has been not only to uncover individual abuses (which have led to policy and procedure changes), but to detect patterns of such abuses and suggest the need for specific program and policy changes. Based on information received through the Hotline we have advised Inspectors General and agency officials of the need

for certain program and policy changes designed to eliminate abuses in the future. We have also alerted GAO officials and congressional staff members to potential abuses in program areas.

Mr. Chairman, I have stated my belief that the GAO Fraud Hotline has proven its value over the past 9 years. I have also tried, through various statistical and other objective data, to measure that value in several ways.

But there is one major value of the Hotline that is not readily susceptible to statistical or other precise measure. It cannot be calculated in terms of dollars recovered or convictions obtained. Nonetheless, it should not be underestimated. Through the Hotline, we are actively involving the public in our effort to root out fraud, waste, and abuse in the expenditure of federal funds. We are providing the American people with credible evidence of our concern over the problems of fraud and waste and of our resolve to end them.

This, in our view, is as significant as the other more tangible measures of the Hotline's success.

Mr. Chairman, this concludes my statement. I will be glad to respond to any questions that you or other members of the Subcommittee may have.

MR. DEREK J. VANDER SCHAAF
DEPUTY INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

Mr. Chairman and members of the subcommittee:

Thank you for giving me the chance to tell you about what I believe is one of the great successes in the Government's battle against fraud, waste, abuse and mismanagement. We in the Office of the Inspector General, Department of Defense, are very proud not only of our own Hotline, but of the DoD-wide system of hotline programs which the Defense Hotline has generated and which it now oversees.

Let me begin with a description of the system of hotline programs within the Department of Defense and how they relate to each other.

- The DoD Hotline Program was established in April 1980. It has grown from a one-person referral operation to an office of sixteen, twelve of whom are professional investigators. The staff is dedicated exclusively to the work of the Hotline Program. That work includes far more than answering the phones, as the name "hotline" might suggest. It entails receiving and analyzing telephone and written inquiries; deciding whether and by whom inquiry, audit, inspection, or criminal investigation should be done; assigning responsibility for action and monitoring and following-up on those actions; assessing the sufficiency and correctness of investigations;

analyzing and reporting trends in allegations and findings; and assessing the quality and effectiveness of Military Department and Defense Agency hotline programs.

Since the Defense Hotline was instituted, it has received over 66,000 telephone and letter contacts. Of those, approximately 15,000 have become substantive hotline-controlled inquiries, audits, investigations, or inspections. Currently, the DoD Hotline receives some 45 telephone and letter contacts per day. As of April 1, 1988, the DoD Hotline had on its books 734 "open" cases--cases currently under scrutiny. This represents a decrease in DoD Hotline workload compared to prior years. The decrease is attributable to subordinate DoD components and commands instituting hotlines of their own, to the DoD Hotline's direct referral of issues to subordinate elements, and to a reduction in the number of vague or non-DoD related issues because of increased awareness of the type and quality of allegations that should be directed to the DoD Hotline.

As I mentioned, the Department has a number of other "subordinate" hotline programs. Chief among these are the Air Force program, which began in May 1981; the Defense Logistics Agency program, which began in July 1982; the Army program, which began in September 1982;

the Navy program, which began in October 1983; and the Marine Corps program, which began in July 1984. These programs not only receive and act on cases referred to them by the DoD Hotline, but themselves receive and act on complaints that are not necessarily related to fraud, waste, abuse or mismanagement. Together, they have initiated approximately 9,700 inquiries or actions. These hotlines would not work as well as they do were it not for the initiative, leadership, and example provided by the DoD Hotline.

The Military Departments--Army, Navy, and Air Force--all have full-fledged hotlines with full-time staffs and toll-free numbers. The Army uses three employees, the Navy six, and the Air Force four; their hotlines are covered at least eight hours per day, every workday.

In addition to their hotlines, the Air Force and Navy each have similar, related programs specifically for handling disclosures related to procurement. The Office of the Air Force Inspector General has a staff of three to operate it's Procurement Fraud Remedies Program, which has taken in 373 cases of significant procurement fraud since its 1985 inception.

The Air Staff also operates the Zero Overpricing Program through which individuals may challenge what they believe to be unreasonably high prices for supply items. That program has handled some 54,000 price challenges since it began in 1979. The Navy operates its "Buy Our Spares Smart" program with a staff of 21 full-time employees; that pricing hotline now opens about 700 cases per month.

The Army and Air Force hotline programs have themselves spawned hotlines throughout those services. Now practically every post, camp, and station has a Commander's hotline.

Finally, the Defense Logistics Agency, the largest Defense agency and the Department's principal buyer, operates a four-person office devoted primarily to investigating and managing complaints referred to DLA by the DoD Hotline, and to managing the DLA Command Complaint Program--a system through which employees may present complaints to their local commanders.

As you can see, the hotline concept is widespread in the Department of Defense. It is widespread because it is enormously popular at every level, from our complainants to our top executives. I submit that hotline proliferation, popularity, and acceptance in DoD are attributable to the fact that the IG, DoD, Hotline system works.

Where does the hotline system work? It works in practically all DoD operations, from contract and procurement irregularities (such as cost and labor mischarging, defective pricing, product substitution, and bid rigging), to theft and abuse of Government manpower and resources; from bribery and acceptance of gratuities to fraud and time, attendance, and overtime abuse; and from significant mismanagement to conflicts of interest and abuse of authority. Last year, the highest percentage of allegations received in the DoD Hotline concerned procurement and contract administration issues, followed by personnel management issues, and finance and accounting matters.

Let me describe a few recent cases to illustrate the variety and importance of the DoD Hotline's work:

- o A DoD Hotline complainant alleged that millions of dollars were being wasted by procuring crewseats for helicopters from the prime contractor rather than from the actual manufacturer. Audit by my office established that the Navy did not plan breakout procurement for the crewseats. The Navy agreed to breakout the procurement, a move which will produce an estimated savings of more than $3 million over the next ten years.

- o A complainant alleged to the DoD Hotline that an Army procurement office was on the verge of buying between $300,000 and $500,000 worth of unneeded spare parts. Office of the Inspector General auditors concluded that

the hotline allegation was correct and that over $500,000 could be saved by buying only the parts needed. Because of IG, DoD, interest, the Army conducted another review of its requirements. The Army then reduced the proposed procurement from $1,372,000 to $254,000, thereby saving $1,118,000.

- A DoD Hotline complainant alleged a Government employee had improperly claimed overtime. Investigation and surveillance of the employee and four co-workers showed that the five employees routinely claimed and were paid for overtime hours they did not work. The five employees were suspended between seven and 14 days, and were served Notifications of Indebtedness totaling $100,231.59. Internal controls were established to prevent further abuse.

- A caller to the DoD Hotline alleged that a Navy Captain had ordered unnecessary furnishings for his government quarters and had employees make items for him during duty hours at government expense. An investigation by the Navy substantiated those allegations as well as other unauthorized uses of government funds. The Captain admitted to wrongfully failing to prevent the unnecessary expenditure of funds and accepting gifts of furniture from a subordinate civilian employee. The Captain was fined $3,000, received a letter of reprimand, and immediately retired at a lower rank. The activity

Director of Materials Management was reduced in grade from GM-14 to GS-12 and reassigned. The GM-13 who used government funds to purchase the unauthorized items, resigned and was granted immunity from prosecution in return for his testimony. Two other civilians received short suspensions. Unauthorized furnishings worth approximately $2,500 were recovered by the Government.

- A DoD Hotline caller alleged that a contractor was failing to produce radar jamming chaff cartridges according to specifications. The caller claimed that critical components were improperly installed; that vital components were improperly substituted; and that trash such as cigarette butts and welding scraps were placed in chaff containers to make cartridges meet the required weight. These practices could cause the cartridges to fail, rendering the user susceptible to enemy target acquisition radar. Investigation substantiated the caller's claims. In an administrative settlement, the contractor agreed to replace the defective chaff cartridges, valued at $12.3 million. The company paid the government's investigative and testing costs of $309,000 and implemented management and quality assurance controls to preclude a reoccurrence.

- A DoD Hotline contact claimed, among other things, that a Navy Rear Admiral had caused an operational aircraft to make a special trip to pick him up in central Europe at the end of his period of leave and return him to his duty station in Iceland. A Navy investigation confirmed the allegations and, as a result, the Admiral was relieved and retired soon thereafter at the rank of Captain.

Certainly, these cases are not representative of DoD Hotline complaint outcomes. In 1987, the DoD Hotline received 10,843 calls and letters, of which 1,186--or 11%-- were deemed to warrant action and were opened as cases. During that year, the DoD Hotline closed 1,692 cases; at least some allegations were substantiated and some wrongdoing found in 575--or 34%--of those 1,692 cases. And of the 575 positive findings, 86--or 15%--resulted in dollar savings. Those savings totaled approximately $24.5 million.

The DoD Hotline's dollar savings over the past three years total about $82.5 million from 112 cases; the subordinate hotlines which maintain such statistics report total savings to date of some $3.3 million. Even if viewed solely from the standpoint of dollar savings, the DoD Hotline is an extremely cost effective operation. Nonetheless, with only about 1% of the contacts--or 7% of opened cases--resulting in tangible savings, the hotline is a low-percentage, high-stakes game.

Our interest, however, goes far beyond identifiable dollar savings. We are equally as dedicated to finding and correcting those few DoD employees who abuse the power of their offices, and who violate the laws, rules, and regulations which protect the Government from mismanagement. We are critically interested in identifying and patching the cracks in the system through which "bad actors" can slip. These kinds of findings and corrective actions reinforce the public's and our employee's faith in the Department's willingness and ability to promote and protect the Government's integrity.

A special panel of top executives in my office--the Hotline Advisory Group--is consulted on the handling of allegations which concern General and Flag officers or civilians at or above the GM-15 level. Where even the appearance of a lack of objectivity could exist if the parent organization were to conduct an inquiry, my office acts on the case. We have never shied away from any case, regardless of the rank, grade, or level of the alleged wrongdoer.

By heading off potential future fraud, waste, abuse and mismanagement, we achieve significant benefits above and beyond those which can be measured in dollars. In the examples I cited earlier, the establishment of internal controls to prevent fraudulent overtime payments and the punitive actions against those responsible for the unnecessary furnishings of the Navy Captain's quarters, represent just such findings and corrections. Most of the findings and corrective actions which result from

DoD Hotline complaints are of this type. From that standpoint, the DoD Hotline is extraordinarily effective; wrongdoing is found and the need for appropriate corrective action indicated in about one-third of the cases opened. In this sense, it is a high-percentage, high-stakes game.

Because we recognize these enormous tangible and intangible benefits of the DoD Hotline, we do everything we can to increase the number of legitimate fraud, waste, abuse and mismanagement disclosures. We support the DoD Hotline with toll-free military and commercial telephone lines. We have an extensive, ongoing program to publicize the DoD Hotline. Among our efforts are widely-distributed posters for display in DoD workplaces; large conspicuous DoD Hotline "ads" in DoD telephone directories and, thanks to the Military Departments, in base newspapers and newsletters; and brochures which we give out at our briefings and presentations.

Last year the Defense Acquisition Regulatory Council adopted our proposal to include in the Defense Federal Acquisition Regulations Supplement a provision which extends to employees of major Defense contractors information on how to disclose fraud, waste, abuse, and mismanagement. Specifically, beginning October 1, 1987, Defense contracts over $5 million must include a clause in which the contractor agrees to either display the DoD Hotline poster or to establish an in-house system equivalent to the DoD Hotline.

As I indicated earlier, the IG, DoD, and the Military Departments have invested rather heavily in their hotline programs; the DoD Hotline now has a staff of sixteen. We have made that investment because our hotline systems give us leads to fraud, waste, abuse and mismanagement that, otherwise, would probably not come to the attention of those in a position to take the actions necessary to correct and prevent them. Hotline systems provide an extraordinary "bang for the buck"; their tangible and intangible benefits far exceed their cost.

Mr. Chairman, I think I have in the course of my testimony answered a number of the specific questions which were posed in your invitation to appear. I have also provided the Subcommittee answers to the specific questions contained in your letter of invitation.

Thank you again, Mr. Chairman, for this opportunity to speak with you on one of my favorite subjects. That concludes my formal statement. I will be happy to try to answer any questions you or the other members of the Subcommittee may have.

STATEMENT
OF
RICHARD P. KUSSEROW
INSPECTOR GENERAL
DEPARTMENT OF HEALTH AND HUMAN SERVICES

GOOD MORNING, MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. I AM RICHARD P. KUSSEROW, INSPECTOR GENERAL OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES AND VICE-CHAIRMAN OF THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE). WITH ME TODAY, IS ROBERT W. BEULEY, INSPECTOR GENERAL OF THE DEPARTMENT OF AGRICULTURE. WE ARE HERE THIS MORNING TO SHARE WITH YOU THE STATISTICAL ACCOMPLISHMENTS OF THE PCIE AS WELL AS DISCUSS THE HOTLINE PROGRAM. AS YOU KNOW, THE PCIE RECENTLY COMPLETED A BEST PRACTICES SURVEY OF OIG HOTLINE OPERATIONS, WHICH MR. BEULEY WILL DISCUSS. BEFORE ELABORATING ON THE HOTLINE PROGRAM AT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, I WOULD LIKE TO SPEND A FEW MINUTES EXPLAINING THE ROLE AND ACTIVITIES OF THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY WAS ESTABLISHED BY PRESIDENT REAGAN'S EXECUTIVE ORDER IN MARCH 1981 TO COORDINATE AND IMPLEMENT GOVERNMENT-WIDE ACTIVITIES TO COMBAT FRAUD AND WASTE IN FEDERAL PROGRAMS AND OPERATIONS. THE COUNCIL IS CHAIRED BY THE DEPUTY DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET. MEMBERSHIP INCLUDES ALL 19 STATUTORY INSPECTORS GENERAL, A DESIGNEE OF THE DEPARTMENT OF THE TREASURY, THE DEPUTY ATTORNEY GENERAL, THE EXECUTIVE ASSISTANT DIRECTOR OF THE CRIMINAL INVESTIGATIVE DIVISION OF THE FEDERAL BUREAU OF INVESTIGATIONS, THE DEPUTY DIRECTOR OF

THE OFFICE OF PERSONNEL MANAGEMENT, THE DIRECTOR OF THE OFFICE OF GOVERNMENT ETHICS, AND THE SPECIAL COUNSEL OF THE MERIT SYSTEMS PROTECTION BOARD.

THE PCIE OPERATES THROUGH ITS STANDING COMMITTEES WHICH REPRESENT THE MAJOR DIRECTIONS OF THE INSPECTOR GENERAL COMMUNITY. CURRENT COMMITTEES INCLUDE AUDIT; COMPUTER; ADMINISTRATION; INSPECTIONS AND SPECIAL REVIEWS; INTEGRITY/LAW ENFORCEMENT; AND LEGISLATION. THE COUNCIL INITIATES GOVERNMENT-WIDE PROJECTS, SUCH AS THE HOTLINE SURVEY, WHICH WE WILL BE DISCUSSING TODAY. OUR WORK PLAN IS DEVELOPED AFTER EXTENSIVE PLANNING AND REVIEW OF PAST WORK OF INDIVIDUAL MEMBERS, CONGRESSIONAL INTEREST, MANAGEMENT INITIATIVES AND GENERAL ACCOUNTING OFFICE REPORTS. THE COUNCIL ALSO INITIATES SPECIAL ACTIVITIES DESIGNED TO INCREASE PROFESSIONAL QUALITY AND EXPERTISE AND TO SHARE INFORMATION ON PROVEN TECHNIQUES IN AUDITING AND INVESTIGATING. I WOULD BE PLEASED TO MAKE AVAILABLE TO THE COMMITTEE A COMPENDIUM OF MAJOR ACTIVITIES REPORTS PRODUCED BY THE PCIE OVER THE LAST COUPLE OF YEARS.

THE COUNCIL IS CURRENTLY INVOLVED IN OVER 30 PROJECTS IN THE PRIORITY AREAS OF IMPROVED CREDIT, CASH AND FINANCIAL MANAGEMENT SYSTEMS; EFFECTIVE USE OF INVESTIGATIVE TECHNIQUES AND CIVIL FRAUD REMEDIES; INCREASED CONTROLS IN AUTOMATED INFORMATION SYSTEMS; AND MAINTENANCE OF TRAINED AND QUALIFIED PROFESSIONAL STAFF.

SINCE 1981, COMBINED OIG EFFORTS HAVE LED TO BE RECOVERED OR PUT TO BETTER USE OVER $104 BILLION IN SAVINGS, RESTITUTIONS, FINES, SETTLEMENTS AND AVOIDANCE OF UNNECESSARY EXPENDITURES. DURING THE LAST 6 MONTHS ALONE, THE FIGURE WAS ABOUT $12 BILLION IN POTENTIAL RECOVERIES AND SAVINGS. WE HAVE ALSO DEMONSTRATED SIGNIFICANT ACCOMPLISHMENTS IN THE AREA OF SUCCESSFUL PROSECUTIONS OF THOSE INDIVIDUALS WHO DEFRAUDED OR OTHERWISE CRIMINALLY VIOLATED OUR PROGRAMS. OVER 4000 CONVICTIONS WERE REALIZED DURING FY 1987 WITH A CUMULATIVE TOTAL OF 22,965 SINCE FY 1981. ADMINISTRATIVE SANCTIONS TOTALED 2059 FOR FY 1987 WITH A CUMULATIVE FIGURE OF 8177 SINCE FY 1981. OUR OVERALL INVESTIGATIVE RECOVERIES ALONE, INCLUDING AMOUNTS RECOVERED THROUGH ADMINISTRATIVE SANCTIONS, HAVE A CUMULATIVE TOTAL IN EXCESS OF $1 BILLION SINCE FY 1981.

WE ARE VERY PLEASED OF OUR ACCOMPLISHMENTS TO DATE. THE CHARTS ATTACHED TO MY STATEMENT PROVIDE A MORE GRAPHIC PICTURE OF THESE ACHIEVEMENTS.

HHS HOTLINE

NOW, MR. CHAIRMAN, I WOULD LIKE TO DISCUSS THE HOTLINE PROGRAM AT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES. AS YOU KNOW, THE DEPARTMENT OF HEALTH AND HUMAN SERVICES IS NOT ONLY THE LARGEST DEPARTMENT IN THE FEDERAL GOVERNMENT IN

TERMS OF THE BUDGET, BUT ALSO DIRECTLY AFFECTS MORE AMERICANS THAN ALL THE OTHER PARTS OF THE GOVERNMENT COMBINED. OVER 40 MILLION INDIVIDUALS RECEIVE MONTHLY CHECKS FROM THE SOCIAL SECURITY ADMINISTRATION. 50 MILLION AGED, INFIRMED AND DISADVANTAGED AMERICANS DEPEND UPON THE HEALTH CARE FINANCING PROGRAMS, SUCH AS MEDICARE, MEDICAID AND MATERNAL AND CHILD HEALTH, OF THE DEPARTMENT. MILLIONS MORE DEPEND UPON THE SOCIAL PROGRAMS OF OUR DEPARTMENT WHICH INCLUDE AID TO FAMILIES WITH DEPENDENT CHILDREN, CHILD SUPPORT, ADOPTION, FOSTER CARE, AND HEAD START. IN ADDITION, EVERY AMERICAN RELIES, TO SOME DEGREE, UPON THE INDIRECT PUBLIC HEALTH BENEFITS GAINED FROM THE FOOD AND DRUG ADMINISTRATION, THE NATIONAL INSTITUTES OF HEALTH AND THE CENTER FOR DISEASE CONTROL, ALL OF WHICH GO TO MAKE UP THE VARIOUS COMPONENTS OF THIS DEPARTMENT.

UNLIKE MOST AGENCIES, HHS IS IN THE BUSINESS OF PROVIDING SERVICES BOTH DIRECTLY TO THE PUBLIC AND INDIRECTLY THROUGH CONTRACTORS AND STATE AGENCIES. THE CALLS RECEIVED ON OUR HOTLINE, THEREFORE, REFLECT OUR UNIQUE RELATIONSHIP WITH THE AMERICAN PUBLIC.

SINCE 1979, WHEN THE HOTLINE WAS FIRST INSTALLED, WE HAVE FOUND THAT IT IS A SOURCE FOR ALLEGATIONS OF FRAUD AND ABUSE AS WELL AS A MECHANISM FOR REPORTING PROBLEMS IN DEPARTMENTAL SERVICE DELIVERY.

EIGHTY-SIX PERCENT OF OUR HOTLINE CALLS DO NOT HAVE FRAUD AND ABUSE IMPLICATIONS BUT RELATE TO QUALITY OF SERVICE, QUALITY OF CARE OR ACCESSIBILITY TO SERVICES. FOR EXAMPLE, MANY OF OUR CALLS ARE INQUIRIES ABOUT DELAYED SOCIAL SECURITY CHECKS OR REQUESTS FOR PROGRAM INFORMATION. IN ADDITION, WE FIND THAT THERE ARE VIRTUALLY THOUSANDS OF CALLERS WHO CONTACT OUR HOTLINE AS A LAST RESORT BECAUSE THEY FIND IT DIFFICULT TO FIND THEIR WAY THROUGH THE MAZE OF COMPLICATED LOCAL, STATE AND FEDERAL PROCEDURES AND RED TAPE. MANY PEOPLE CALL JUST TO VENT THEIR FRUSTRATIONS. THUS, OUR HOTLINE SERVES AS A MEANS TO PROVIDE INFORMATION AND FEEDBACK TO THE PUBLIC.

THE HOTLINE OF THE OFFICE OF THE INSPECTOR GENERAL AT HHS WAS INITIALLY MODELED AFTER THE GOVERNMENT ACCOUNTING OFFICE (GAO) HOTLINE, BUT WAS PUBLICIZED ONLY TO HHS EMPLOYEES. AFTER TAKING OFFICE IN 1981, THE SERVICE WAS EXPANDED TO INCLUDE A TOLL FREE TELEPHONE NUMBER FOR USE BY THE GENERAL PUBLIC AS WELL.

OVER 50,000 CONTACTS, CONSISTING OF APPROXIMATELY 25,000 ALLEGATIONS OF FRAUD, WASTE AND ABUSE, HAVE BEEN HANDLED THROUGH THE HOTLINE SINCE IT WAS INSTITUTED. INCLUDING GAO REFERRALS, OUR HOTLINE HANDLES APPROXIMATELY 40 TO 50 VERBAL OR WRITTEN CONTACTS A DAY. WE HESITATE TO USE THE TERM "COMPLAINTS" BECAUSE SO MANY OF THE CALLS AND LETTERS ARE REQUESTS FOR PROGRAM INFORMATION THAT DO NOT REQUIRE FOLLOW-UP AND ARE CLEARLY NOT ALLEGATIONS OF WRONGDOING.

AT PRESENT, WE HAVE ON STAFF TWO ANALYSTS AND A CLERK ON A FULL-TIME BASIS AND TWO EMPLOYEES ON A PART-TIME BASIS RECEIVING HOTLINE CALLS. THE PHONES ARE COVERED FOR A FULL 40 HOURS A WEEK AND WE USE A RECORDING MACHINE DURING PERIODS WHEN THE PHONES ARE NOT MANNED. THUS, COMPLAINTS AND MESSAGES CAN BE RECEIVED ROUND THE CLOCK.

ALL HOTLINE REFERRALS ARE REVIEWED BY OUR CRIMINAL INVESTIGATIVE STAFF SO THEY CAN IDENTIFY MATTERS WARRANTING FURTHER EXAMINATION. ASSIGNMENT OF CASES FROM THE HOTLINE ARE DIRECTED TO APPROPRIATE REGIONAL OFFICES FOR FOLLOW UP INVESTIGATION.

AS MENTIONED ABOVE, WE HAVE FOUND THAT THE VAST MAJORITY OF OUR CALLS RELATE DIRECTLY TO CONCERNS WITH THE MEDICARE AND MEDICAID PROGRAMS. COMPLAINTS MOST FREQUENTLY RECEIVED REGARD QUALITY OF CARE, OVERCHARGING BY MEDICAL PROVIDERS AND REPORTS OF MEDICAL SERVICES DOUBLE BILLED OR NOT RECEIVED. THE NEXT HIGHEST CATEGORY OF CALLS PERTAINS TO QUESTIONS OR COMPLAINTS ABOUT PROGRAMS OF THE SOCIAL SECURITY ADMINISTRATION, USUALLY INDIVIDUALS THAT ARE REPORTED TO BE RECEIVING BENEFITS INAPPROPRIATELY OR FRAUDULENTLY. WE HAVE ALSO RECEIVED NUMEROUS COMPLAINTS ABOUT THE AID FOR FAMILIES WITH DEPENDENT CHILDREN PROGRAM OF THE FAMILY SUPPORT ADMINISTRATION. THESE CALLS OFTEN RELATE TO THE ISSUE OF BENEFITS BEING RECEIVED FOR CHILDREN NOT IN THE PARENT'S

CARE, AN EMPLOYED PARENT OR THE FATHER OF THE CHILD IS IN THE HOME AND WORKING. THE REMAINDER PERTAIN TO OTHER HHS ACTIVITIES, SUCH AS GRANTS AND CONTRACTS.

PROBLEMS AND RECOMMENDATIONS

THE LEVEL OF SUCCESS WE HAVE ACHIEVED, HOWEVER, HAS NOT BEEN WITHOUT ITS SHARE OF PROBLEMS. FOR EXAMPLE, WE WERE NOT PREPARED INITIALLY FOR THE VOLUME OF CALLS NOR THE KINDS OF NON-CRIMINAL CASES THAT WE HAVE ENCOUNTERED OVER THE YEARS. FURTHER, DURING THE EARLY YEARS OF THE PROGRAM, WE LACKED A GOOD TRACKING AND REFERRAL SYSTEM, RESULTING IN SOME CASES NOT BEING HANDLED APPROPRIATELY. AS COMPUTER CAPABILITIES IMPROVE, WE ARE BETTER ABLE TO TRACK CASES, CALLS AND COMPLAINTS. NOW, WE ARE ABLE TO DESIGN DATABASE SYSTEMS WHICH ALLOW US TO MONITOR AN ALLEGATION FROM THE INITIAL CALL THROUGH TO A SUCCESSFUL CONVICTION.

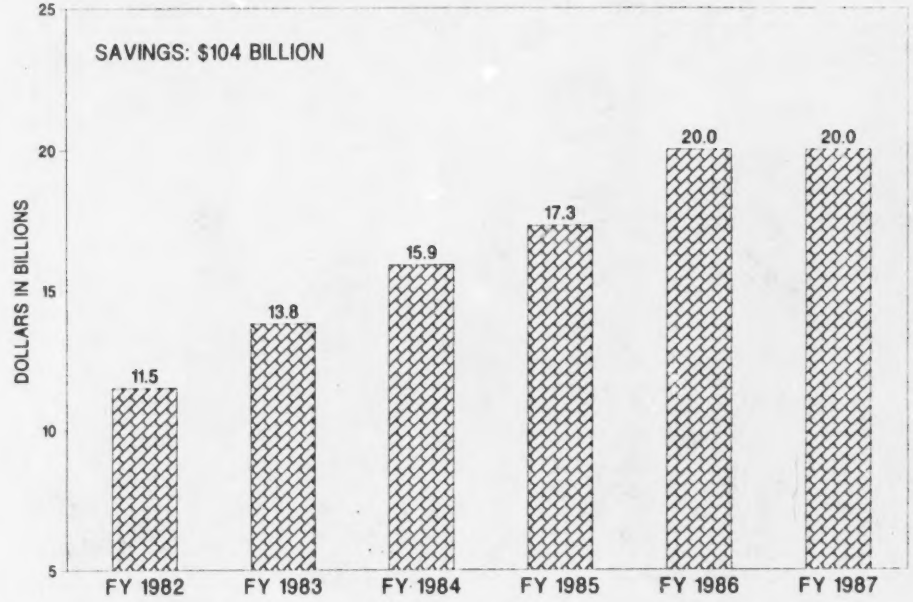
WE CONTINUE TO EXPEND AN INORDINATE AMOUNT OF TIME ON CALLS THAT DO NOT PRODUCE TANGIBLE RESULTS. TO REMEDY THIS SITUATION, WE HAVE RECOMMENDED TO THE VARIOUS COMPONENTS OF THE DEPARTMENT THAT THEY ESTABLISH OFFICES WHICH CAN FOLLOW-UP ON THE COMPLAINTS THAT OUR HOTLINE DEEMS INAPPROPRIATE FOR THE OIG TO INVESTIGATE OR THAT ARE PROGRAMMATIC IN NATURE. CREATING A NETWORK WITHIN THE DEPARTMENT TO MEET THIS NEED WILL GO A LONG WAY TOWARD PROVIDING A MORE RESPONSIVE SYSTEM FOR OUR EMPLOYEES AND THE PUBLIC.

WE ARE MOVING TO RESOLVE ALL OF THESE PROBLEMS. OUR GOAL IS TO LOOK FOR WAYS TO MAKE THE SYSTEM NOT ONLY MORE EFFICIENT, BUT MORE IMPORTANTLY, MORE EFFECTIVE.

I BELIEVE THAT TECHNOLOGY WILL BE OF INVALUABLE ASSISTANCE TO US IN THE FUTURE AS THE DEMAND FOR OUR HOTLINE SERVICE INCREASES.

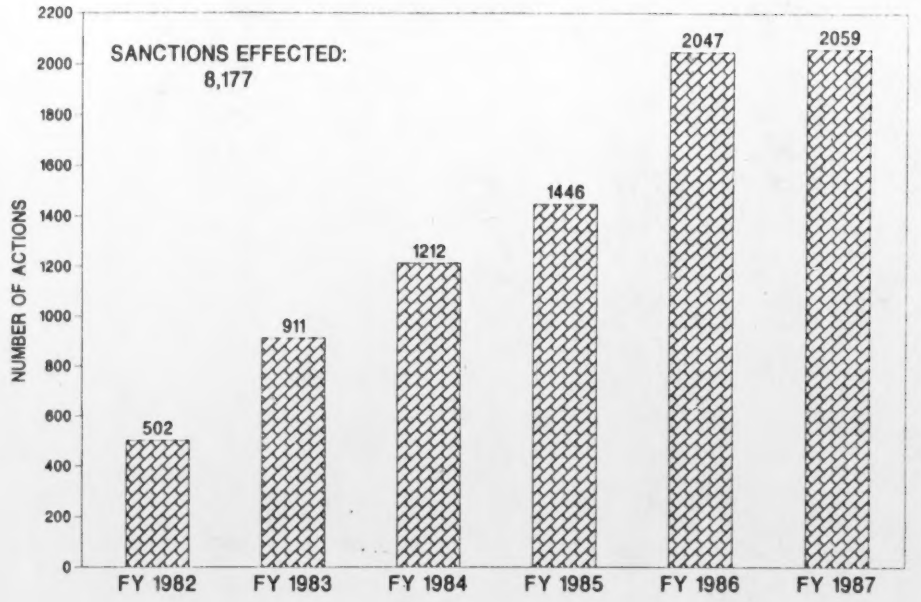
THIS CONCLUDES MY TESTIMONY. I AM AVAILABLE TO ANSWER YOUR QUESTIONS.

SAVINGS: FISCAL YEARS 1982-1987

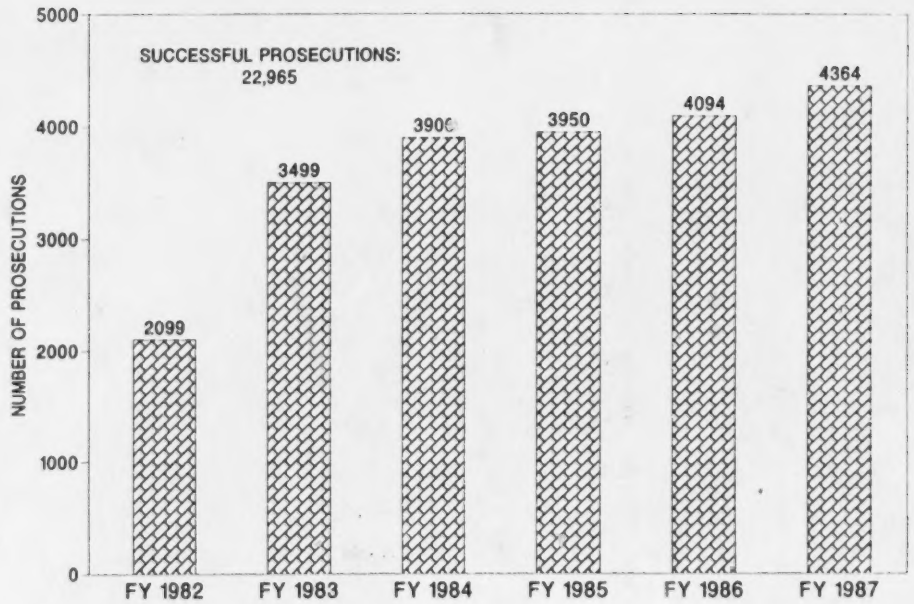


SANCTIONS

Actions Against Contractors FY 1982-1987



PROSECUTIONS: FY 1982-1987



DEPARTMENT OF HEALTH & HUMAN SERVICES — Office of Inspector General

Memorandum

Date APR 13 1988

From Linda J. Tyler
Administrative Office

Subject Cost of Hotline Office

To Steve Davis
Legislation, Regulation and Public Affairs

Per my telephone conversation with Charlie Maddox on April 13, 1988, listed below is the information that he requested regarding the cost of the Hotline office for FY 1987 and FY 1988.

FY 1987

Total cost for the period 10/1/86 - 9/30/87:	$11,612.65
Average cost per month:	$ 611.20

FY 1988

Total cost for the period 10/1/87 - 3/31/88:	$ 7,012.42
Average cost per month:	$ 779.16

STATEMENT OF ROBERT W. BEULEY
INSPECTOR GENERAL
U.S. DEPARTMENT OF AGRICULTURE
before the
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FEDERALISM AND THE
DISTRICT OF COLUMBIA
April 19, 1988

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss hotline programs within the Federal Government.

Since 1981, when the President's Council on Integrity and Efficiency (PCIE) began reporting its accomplishments, over 133,000 complaints or allegations of fraud, waste or mismanagement have been received by the Inspectors General (IGs), primarily over their hotlines. Within the last six months of Fiscal Year 1987 alone, over 10,000 allegations were reported by the IGs. This number has remained relatively constant for each six month period since October, 1984. A slightly greater number of allegations were reported in the first and last halves of FY 1983 (14,050 and 12,539 respectively). Fewer allegations were reported in Fiscal Years 1982 and 1981 (15,280 and 7,488 respectively). Additional details by six-month reporting periods are provided in Attachment I to this testimony.

Since 1984, four agencies have received between 70% and 80% of the hotline complaints each year. Of the approximately 20,000 complaints reported in FY 87, 54% were received by the Department

of Defense, 11% by the Department of Labor, 9% by the Department of Health and Human Services, and 7% by the Department of Agriculture (USDA).

To give you a profile of hotline activity, I have some USDA statistics which might be of interest to the Committee.

Of the approximately 1,500 complaints received on our hotline during FY 87, 79% were anonymous; 9% of the complainants identified themselves, but asked for confidentiality, and 12% identified themselves. Based on the information provided in the calls, we believe that 90% were from the general public, and the remainder were from employees. Approximately one-third of the calls we received were information or opinion calls, or did not contain enough information to allow further action; of the remaining 1,000 calls, just over 200, or 20%, contained allegations that were substantiated. Over three-quarters of the complaints we received related to programs administered by the Food and Nutrition Service. Most of those were recipient cases.

While not all allegations received and investigated by the Inspectors General are substantiated, many hotline calls have resulted in significant savings and recoveries to the government. Here are some examples of these cases:

- A source alleged that a self-insured contractor overcharged the Government for workers' compensation insurance premiums. An investigation resulted in the contractor's agreement to reduce the workers' compensation cost to the Government by

$27.5 million. A later review of the results of the inquiry resulted in the company's being notified that an additional $5 million was due to the Government. (Department of Defense, FY 86)

- A caller alleged abuse of student financial assistance programs. An audit substantiated the complaint that students at a postsecondary school were unqualified and ineligible for program benefits. The school was ordered to refund $2.7 million to the Government. (Department of Education, FY 85)

- An OIG investigation of a complaint found that an agency employee had a conflict of interest when he represented a contractor's interest during negotiations with the Government. The contract award was withdrawn and ultimately awarded to another firm for $1.8 million less than the original contract. (Veterans Administration, FY 84)

- Following the investigation of a hotline call, a city was ordered to reimburse its Community Development Block Grant of $170,000. The money had been improperly used by the city. (Department of Housing and Urban Development, FY 87)

- A hotline call ultimately resulted in the indictment of three persons for fraudulently obtaining approval for a $409,000 guaranteed loan. (Small Business Administration, FY 87)

Non-monetary violations of law have also been thwarted by hotline callers. In one case, investigation of a hotline complaint uncovered a scheme to bribe a federal employee to obtain his help in smuggling illegal aliens into the United States. Two persons were arrested on smuggling charges, and four illegal aliens were arrested and detained (Department of Agriculture, FY 87).

In 1986, the PCIE undertook a study of Federal hotlines. The study was conducted under the auspices of the Prevention Committee, which I chaired, and was directed by William J. Doyle, III, Inspector General of the Railroad Retirement Board.

Twenty-one Inspectors General, the Federal Bureau of Investigation, the General Accounting Office and the Department of Justice were included in the study. Information was collected through the use of questionnaires and interviews with hotline operators and management officials. Written policies and procedures were also analyzed. Topics addressed in the study included: reporting terminology, standards and procedures, hotline functions, personnel and related issues, automation, confidentiality and protection of callers, feedback to callers and organizational placement.

The final report, entitled "Survey of Fraud, Waste and Mismanagement Hotlines," was published in September, 1987. The observations of the study team were:

(1) IG hotline systems include nine basic functions: Hotline publicity, complaint receipt, initial screening, complaint

referral, followup on referrals, recordkeeping and reporting, periodic trend analysis, analysis of complaints, and complaint investigation/audit.

The team found diversity in the extent to which these functions were performed by hotline staff or shared with other IG staff components. It recommended that each IG centralize at least the first six functions in its hotline operation.

(2) Diversity exists in the terminology used to report hotline data to the PCIE. The study team identified common definitions to be used by all IGs.

(3) Diversity exists in the extent to which IGs have written internal procedures for their hotlines to reflect the general standards and guidelines published by the Association of Federal Investigators, Association of Directors of Investigation, and the PCIE. The team recommended that each IG develop their own written procedures to cover hotline operations.

(4) Hotlines are staffed in a variety of ways. The study team found that hotline operators ranged from administrative employees to highly trained criminal investigators. Both full-time and part-time staffs are used to operate hotlines. In some cases, telephone answering equipment was used exclusively to receive hotline calls.

The study team recommended that, to the extent practical, IG hotlines be staffed with full-time operators who are trained in

interviewing, fraud recognition and documentation skills. In February, 1988, the PCIE and AFI jointly sponsored training for hotline operators, the first of its kind. The study team also recommended that each IG determine the best mix and number of staff needed, depending on the nature and volume of calls received.

(5) Diversity exists in the degree to which IGs have automated their hotline operations. The study team recommended that automation be considered in each OIG.

(6) IGs are generally doing a good job of protecting the confidentiality of complainants. The study team recommended that each IG issue written procedures to ensure that confidentiality is protected.

(7) Most IGs provide some feedback to hotline users on the status of respective cases. However, details of cases are not discussed during active reviews. The Freedom of Information Act provides an avenue for access to completed hotline actions. In most cases, information is given when requested, rather than routinely. The study team agreed with this approach, and recommended that each IG adopt written procedures accordingly.

(8) Many IG hotlines are organizationally located within the Office of Investigations. A few have established separate hotline offices. The study team recommended that each IG review its hotline placement to ensure that it received appropriate management support.

Each Inspector General will adopt those recommendations as necessary within his or her own organization.

This concludes my statement, Mr. Chairman. I would be happy to answer any questions.

Attachment I

PCIE Summary of
Allegations of Fraud, Waste and
Mismanagement Received

Fiscal Year	Reporting Period	Allegations Received	Fiscal Year Total
87	II	Over 10,000	
	I	10,451	20,241
86	II	11,053	
	I	10,519	21,572
85	II	11,672	
	I	10,370	22,042
84	II	10,666	
	I	9,064	19,730
83	II	12,539	
	I	14,050	26,589
82	II	8,778	
	I	6,502	15,280
81	II	5,288	
	I	2,200*	7,488
TOTAL			133,152

* Does not include HHS, AID, DOE, State and Treasury.

TESTIMONY
OF
NORMAN A. ZIGROSSI
INSPECTOR GENERAL
TENNESSEE VALLEY AUTHORITY
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FEDERALISM,
AND THE DISTRICT OF COLUMBIA
SENATE COMMITTE ON GOVERNMENTAL AFFAIRS
APRIL 19, 1988

Mr. Chairman and members of the subcommittee, it is a pleasure for me to be here today to testify about the TVA Office of the Inspector General's (OIG) Hotline.

The TVA Board of Directors voted on October 18, 1985, to create the OIG, and I reported to TVA as its first Inspector General on January 27, 1986. One of my first priorities was to establish a hotline to receive employee and public complaints. In my opinion, it was imperative for the OIG to open this line of communication as soon as possible, so that interested employees and members of the public could easily and efficiently bring their concerns directly to us.

We also ensured that TVA employees became quickly aware of the Hotline's existence through newspaper and television coverage, articles in TVA's internal newspaper (Inside TVA), and the distribution of thousands of OIG Hotline calling cards throughout TVA.

Our Hotline began operating on February 26, 1986, a little less than one month after I reported to TVA. The number of calls the Hotline received during its first few months of operations demonstrated the need for such an avenue of reporting matters to the OIG.

For example, during its first three full months of operation, the Hotline received 175 calls and during its first six months in operation, the Hotline received nearly 300 calls.

While we have never made a formal survey to gauge the reaction of TVA employees to the Hotline, the usage to date and the reaction of TVA employees to OIG orientation sessions which have been conducted throughout the Valley have been overwhelmingly positive.

I would now like to describe our Hotline's general operations over the last two years.

Our OIG Hotline staff has received 960 complaints, which include telephone calls as well as interviews of individuals who preferred to visit the OIG in person.

The monthly average of such calls and visits for the first two years has been 40 complaints per month. However, during our first fiscal year complaints averaged 48 per month. During the current fiscal year our complaints are averaging about 31 per month.

Since its inception, current employees have used the Hotline more than former employees or members of the public. Of 960 calls we have received to date, 556 (58 percent) have been from current employees; 262 (27 percent) have been from the public; and 142 (15 percent) have been from former TVA employees.

The variety and/or severity of complaints to the Hotline have been fairly constant over the past two years. The three largest categories of calls to the Hotline have involved personnel matters, waste and fraud, and TVA's nuclear program. The largest category of complaints have related to personnel matters, which account for approximately 24 percent of all calls received. These complaints include allegations of favoritism, inappropriate personnel practices, and violation of union/labor agreements.

Nuclear-related complaints make up another 18 percent of our Hotline calls. These calls are given special attention to ensure there is no adverse effect on the safety or progress of TVA's nuclear program or TVA's relationship with the Nuclear Regulatory Commission.

Complaints related to waste and fraud account for approximately 16 percent of our Hotline calls. Improper procurement practices, contractor and employee fraud, and workers' compensation fraud are examples of the types of complaints we received in this area.

In order to assure their complete protection, callers to the Hotline may request confidentiality. An OIG investigator will subsequently call on them to discuss such confidentiality and give them an opportunity to sign an OIG confidentiality form. (In the interim no one sees the caller's Hotline call report except our Hotline staff and the branch chief who is responsible for the investigation of the complaint.) Because of our documented policy on confidentiality and related procedures, we believe that TVA employees and other callers may use our Hotline without fear of retribution or concern that their confidentiality will be violated.

I would now like to discuss the daily operations of our Hotline staff.

The OIG's Investigative Services Unit is responsible for staffing the OIG Hotline during normal business hours (8:30 to 4:30) five days a week. (We also have a recording machine available for callers who leave messages after normal working hours.) This unit includes four full-time employees with two having primary responsibility for handling Hotline telephone calls and walk-in interviews. An estimated three to five hours of each Hotline employee's workday are devoted to the handling of Hotline calls and related documentation. In addition to receiving calls that raise issues within the OIG's jurisdiction, the Hotline also receives calls that involve matters which should be handled by other TVA offices such as the Office of the General Counsel (which includes the TVA Ethics Officer), the TVA Information Office, or the TVA Citizen Action Line, a toll-free information service that TVA established in September 1978. (The Citizen Action Line was TVA's first experience with a hotline.) Care is taken to direct the callers to the appropriate offices, and no record is made of the conversation unless it is pertinent to an OIG activity.

Our Hotline employees each have a thorough knowledge of TVA that has been gained through 15+ years of TVA work experience. Two of our Hotline staff members previously worked on TVA's Citizen Action Line.

The Investigative Services Unit also serves as support staff to the four branches in the Division of Investigations and provides assistance to the OIG's Legal Counsel Staff. The unit also interacts with OIG investigators during an investigation by locating, retrieving and reviewing relevant TVA records; obtaining information from computerized data bases; and providing other specialized services. In addition, the Hotline is used as a link to maintain contact between OIG investigators and the complainants and witnesses involved in an investigation. Liaison calls of this nature are not logged in our statistics, but are another useful Hotline function.

A few examples of the type of support provided by our Hotline staff are highlighted below.

During an investigation of alleged drug abuse by TVA personnel at the Sequoyah Nuclear Plant, the Hotline staff developed employee profiles of the individuals under investigation, made criminal history checks, and assisted in locating the subject's actual home and work address.

During an investigation of alleged travel fraud cases by TVA employees, the Hotline staff obtained and reviewed personnel files, analyzed vouchers and lodging receipts, and performed research to help the OIG special agents.

The responsibilities of our Hotline staff require they be well-trained. Accordingly, we have developed a training profile which identifies specialized training for their key areas of responsibility. These key areas require knowledge of TVA programs and projects, authorities and responsibilities of other TVA offices, and other investigative processes available within TVA.

The profile is used to determine if Hotline personnel could benefit from additional training in key skill areas such as communications, investigative interviewing techniques, report writing, effective listening, and in dealing with difficult people.

I would now like to explain what happens to Hotline complaints after they are received by the OIG.

Hotline complaints are documented in a computer writeup, classified by issue, and then forwarded to the appropriate OIG investigative branch chief who determines how quickly an investigation is to proceed. Our computerized indices are checked before the Hotline allegation is sent to the branch chief in order to determine if the persons involved in the complaint (complainant, subject, witnesses, etc.) have been mentioned in any other OIG investigation. If this review identifies another potentially relevant record in our computerized indices, this record is also sent to the branch chief so he will be aware of any additional pertinent information that may affect the new investigation. Upon receipt of the Hotline complaint, the branch chief establishes priorities for the case and assigns an investigator to conduct the investigation. Thereafter, the OIG's computerized case tracking system monitors the case's progress and stores certain key information that is relevant to the case.

Based on our experience to date, less that 50 percent of Hotline calls result in an OIG investigation. This represents approximately 20 percent of our total investigative caseload. We also estimate that approximately 1200 manhours per month are devoted to the investigation of Hotline complaints. As you would anticipate, the cases that are opened as a result of a Hotline call vary significantly. Hotline calls raise issues ranging from vehicle abuse complaints to allegations of contractor fraud, drug abuse, and safety-related deficiencies in TVA's nuclear program.

We are currently conducting 73 investigations that began with a Hotline call. In addition, we have completed the investigation of another 52 cases that began with the Hotline. (The results of these cases will be sent to TVA management as soon as we have prepared our investigative report.) An additional 26 cases that began with a hotline call are currently suspended because the complainant has taken his complaint to another forum (e.g., to the Merit System Protection Board).

Mr. Chairman, I would now like to briefly describe some of the results of calls to our Hotline.

Although only a very small percentage of the calls to our Hotline have resulted in financial restitution to TVA, we have several fraud cases in progress that are likely to be resolved in ways that may include financial restitution to TVA. One such investigation which evolved from a Hotline call involves a major TVA contractor that was overbilling TVA. The contractor has recently participated in settlement discussions with TVA and these discussions may lead to substantial savings to TVA. Because of our findings, TVA has withheld $1.7 million in payments to the contractor.

In another investigation of a Hotline call, the OIG recommended that TVA management withhold payments of about $50,000 under certain purchasing contracts until our investigation is completed. This investigation may also involve as much as $100,000 in fraud and a criminal prosecution may result.

We have also referred 15 matters to a United States Attorney that resulted from investigations that began with Hotline calls. These referrals included:

Four referrals for theft of Government property;

Four referrals for falsification of records;

Two referrals for misuse/abuse of Government property;

Two referrals of improper activities by TVA contractors; and

Three referrals related to employee misconduct and inappropriate use of TVA vehicles.

In addition to these referrals to a United States Attorney for possible prosecution, calls to the OIG Hotline have also resulted in TVA management taking disciplinary action against employees on the basis of misconduct. For example, there have been at least three instances in which Hotline complaints have ultimately resulted in either resignations or terminations of TVA employees.

Mr. Chairman and members of the subcommittee, this concludes my prepared comments. I would be pleased to answer any questions you or the members of this Subcommittee may have.

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0203W

United States General Accounting Office

GAO

Fact Sheet for the Honorable
Jim Sasser, U.S. Senate

April 1988

FRAUD HOTLINE

9-Year GAO Fraud Hotline Summary

GAO/OGC/OSI-88-1FS

GAO

United States
General Accounting Office
Washington, D.C. 20548

Office of Special Investigations

B-171019

April 19, 1988

The Honorable Jim Sasser
United States Senate

Dear Senator Sasser:

In response to your February 1988 request, we are providing a fact sheet summarizing our 9 years of operation of the GAO Fraud Hotline. This updates information provided to you in our last Hotline report, dated April 8, 1987.

This fact sheet is a brief overview of our Hotline operation and concentrates on Hotline statistics and examples of substantiated cases. It also outlines changes in our procedures to improve the efficiency of our operation. We hope this report will be helpful to you in your efforts to assist the Congress and the public in combating fraud, waste, and mismanagement in the federal government.

If you have any questions on this report or on the operation of the GAO Fraud Hotline, please contact Gary Carbone on (202) 272-5500.

Sincerely yours,

David C. Williams

David C. Williams
Director

9-YEAR GAO FRAUD HOTLINE SUMMARY
(January 18, 1979-January 17, 1988)

I. CONTINUING OBJECTIVES, GOALS, AND PROCEDURES

During our first full year as an integral part of the U.S. General Accounting Office (GAO), Office of Special Investigations (OSI), the GAO Fraud Hotline's objectives and goals have continued to be to

-- operate a nationwide, toll-free hotline that anyone in the United States may use to report allegations of fraud or mismanagement of federal funds and, when those allegations are deemed to merit further review, refer them to the Inspector General (IG) of the cognizant federal agency for appropriate audit or investigation;

-- conduct our own investigations of allegations directed against agencies without IGs;

-- expedite responses to congressional requests that certain allegations be investigated;

-- review IG responses to allegations we have referred to them, thereby ensuring that all issues have been investigated and corrective actions have been taken;

-- advise GAO divisions and agency IGs of audit leads based on our review of allegations and agency responses; and

-- provide information and assistance to federal, state, and local organizations establishing their own hotlines.

With 13 of the 19 statutory IG offices now providing toll-free hotlines and with the establishment of the President's Council on Integrity and Efficiency to coordinate the efforts of the IG offices, the role of the GAO Fraud Hotline has taken on different dimensions. It has become evident that we should take certain actions that respond to the decrease in the number of calls received by the GAO Hotline as a result of the increased number of toll-free hotlines used by the federal government to uncover fraud and mismanagement.

In the case of an allegation regarding entitlement or recipient fraud by an individual, we plan to direct the caller to the appropriate agency's toll-free hotline. This will expedite the resolution of the allegation and obviate any redundancies in the system.

We will continue to refer under our existing procedures recipient fraud allegations involving agencies without toll-free hotlines. However, in those instances, and in less serious allegations that we refer to an agency, we will not require that the agency respond to us with the results of their investigation or audit.

We will continue to track cases of a serious nature. We will also continue to track those cases that suggest a problem may be systemic to a program or agency.

Additionally, we have reduced our hotline's operating hours to 10:00 a.m. to 4:00 p.m. Eastern time. These hours include our periods of highest activity and assure adequate coverage of all areas of the Nation. We will continue to have a recorded message on at all other times.

The effect of these changes will allow us to intensify our oversight of agency hotline efforts and activities without increasing the size of the GAO Hotline staff. We believe these changes will better serve the needs of the public and the Congress.

In mid-December 1987, all Office of Special Investigations operations were consolidated at one location. Accordingly, we are providing our correspondents with the following new address:

GAO Fraud Hotline
Room 1000
600 E Street, N.W.
Washington, D.C. 20548

Our nationwide, toll-free hotline telephone number remains the same, (800) 424-5454, but the local number for the Washington, D.C., area has been changed to 272-5557.

II. STATISTICAL OVERVIEW

In our 9-year existence, we have received over 94,000 calls on our toll-free hotline, of which 13,992 cases have warranted further review. Of the calls warranting further review, 70 percent were received from anonymous sources. Part of these anonymous calls were from federal employees. Altogether, calls from federal employees totaled 26.2 percent of those warranting further review.

Calls not written up were for reasons such as the caller lacked specific information or the allegation did not involve a federal program. Those callers who had information on nonfederal matters were directed to the appropriate state or local agency.

Geographic Breakdown

The 13,992 cases we received were reported to have taken place in the following geographic areas:

Washington, D.C.	1,044	Nebraska	61
Alabama	246	Nevada	71
Alaska	51	New Hampshire	38
Arizona	157	New Jersey	235
Arkansas	157	New Mexico	130
California	1,843	New York	619
Colorado	204	North Carolina	288
Connecticut	74	North Dakota	54
Delaware	16	Ohio	649
Florida	601	Oklahoma	158
Georgia	559	Oregon	118
Hawaii	56	Pennsylvania	571
Idaho	52	Rhode Island	32
Illinois	375	South Carolina	134
Indiana	182	South Dakota	50
Iowa	79	Tennessee	481
Kansas	113	Texas	772
Kentucky	255	Utah	58
Louisiana	164	Vermont	17
Maine	48	Virginia	615
Maryland	409	Washington	344
Massachusetts	220	West Virginia	109
Michigan	382	Wisconsin	121
Minnesota	101	Wyoming	20
Mississippi	148	Overseas	139
Missouri	293	Missing Code	207
Montana	62		

Referral to Agencies

We subsequently referred these 13,992 cases to the following agencies for further review:

Department of Health and Human Services	3,807
Department of Defense	2,648
Internal Revenue Service	1,327
Department of Housing and Urban Development	905
Department of Labor	736
Department of Agriculture	745
Veterans Administration	654
General Accounting Office	460[a]
General Services Administration	418

Department of Justice	422
Department of the Interior	353
Postal Service	321
Department of Transportation	303
Department of Education	227
Department of the Treasury	220
Department of Energy	154
Environmental Protection Agency	147
Department of Commerce	141
Office of Personnel Management	125
Small Business Administration	114
Federal Emergency Management Agency	58
National Aeronautics and Space Administration	57
Tennessee Valley Authority	44
Department of State	28
Agency for International Development	22
Other Agencies	164
Total Referrals	14,600[b]

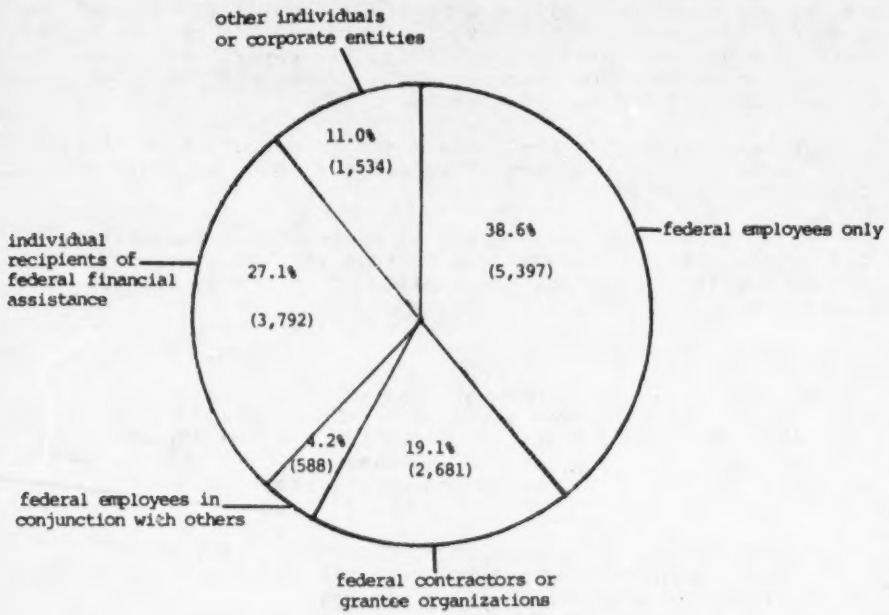
[a]These include cases the GAO Hotline investigated or referred to other GAO components.

[b]The total number of cases we referred is greater than the number of cases warranting further review because we referred some cases to more than one agency.

Participants

Allegations we referred for further review have also been categorized according to the participant in the alleged improper activity. We have established five such categories: (1) federal employees only, (2) federal employees in conjunction with others, (3) federal contractors or grantees, (4) individual recipients of federal financial assistance, and (5) other individuals or corporations. Of the 13,992 cases of wrongdoing and/or mismanagement, the highest proportion, 38.6 percent, was in the category "federal employees only."

The following chart shows the percentage for each participant category of the 13,992 cases we referred for further review.



In the largest category, "federal employees only," we found 891 reports of employee work-hour abuse, 654 allegations of private use of government property, 605 allegations of noncompliance with established agency procedures or policies, 597 reports of improper financial transactions, 338 allegations of theft, 192 reports of purchasing unnecessary equipment, 158 allegations of awarding unneeded contracts, and 1,962 other allegations of fraud and mismanagement.

In the second largest category, "individual recipients of federal financial assistance," we found 1,161 allegations of improper receipt of welfare benefits and 823 of improper receipt of disability benefits. There were also 676 cases of improper receipt of social security benefits, 249 instances of improper receipt of food stamps, 195 reports of housing subsidy abuse, 178 instances of improper receipt of veterans benefits, and 510 miscellaneous allegations.

In the category "federal contractors or grantee organizations," there were 867 allegations of improper expenditure of government funds, 403 reports of partial or nonperformance of contractor/grantee services, 226 allegations of medical personnel overbilling medicare/medicaid, 170 allegations of noncompliance with established procedures, 145 reports of the theft of government funds or property, 122 reports of false information provided on grants and contracts, and 748 other allegations of fraud and mismanagement.

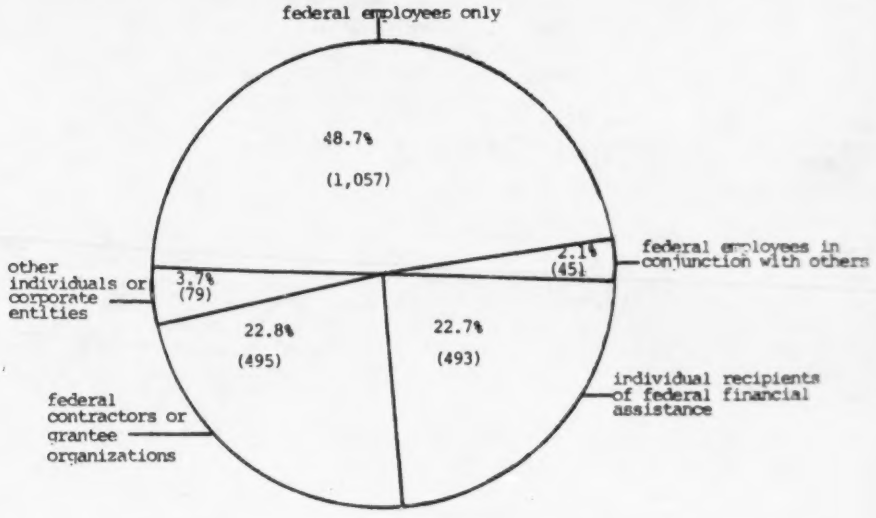
In the category "other individuals or corporate entities," there were 1,095 allegations of income tax cheating and 439 other allegations of improper activities.

In the final category, "federal employees in conjunction with others," there were 265 allegations involving bribery or kickbacks, 165 allegations of conflict of interest, and 158 miscellaneous allegations.

Action Taken on Referrals

Of the 13,992 cases the GAO Hotline investigated or referred, 11,246 have been closed. Of these closed cases, 1,589 were substantiated. In another 580, the reported allegations were not substantiated, but the agencies acted to prevent or minimize the possibility of an improper activity from occurring in the future.

The following chart shows the percentage for each participant category of the 2,169 cases in which allegations were substantiated or preventive action was taken.



The most common substantiated cases were private use of government property; work-hour abuse by federal employees; fraud by recipients of such benefits as welfare, social security, disability, and housing; and general mismanagement by government employees.

Legal and Administrative Action

If an investigation discloses a violation of criminal law, the agency should refer the report of the investigation to the Justice Department or state prosecutor for review and possible prosecution. In the GAO Hotline's 9 years of existence, agencies have told us that 146 of these cases resulted in some legal action. Defendants were convicted in 47 cases. In addition, other cases were declined for prosecution for such reasons as insufficient evidence, insignificant loss to the government, or administrative action by the agency would be more appropriate.

In numerous instances, the agency took administrative action against federal employees, contractors, and other individuals. These actions included employee dismissals, suspensions, demotions, or transfers. In addition, contractors and grantees were suspended or debarred, had contracts or grants canceled, or were issued warnings about their work.

The Hotline has also provided advisement letters identifying potential audit leads to GAO operating divisions and, on occasion, to appropriate agency officials. These leads have benefited GAO by providing the basis to initiate audits of agency programs or supporting ongoing audits with additional information. We have also provided information in support of OSI investigations and inspections.

Misspent Funds/Savings

Due to the nature of some of the allegations we receive and the fact that Inspector General offices do not always have records of dollar savings in their hotline case files, we have found it very difficult to estimate dollar savings attributable to the GAO Hotline. A number of these substantiated allegations do not lend themselves to estimating dollars saved, but do provide another type of savings. This involves actions taken by the agencies to prevent or deter activities in which the possibility for waste, abuse, and mismanagement exists. Based on the few substantiated cases that follow, we believe it is reasonable to conclude that millions of dollars in waste, fraud, abuse, and mismanagement have been identified as a result of calls to the GAO Hotline.

Substantiated GAO Hotline Cases

Examples of substantiated GAO Hotline cases closed in the past year are the following:[1]

-- An anonymous caller alleged that a federal prison official conspired with other employees in a bid-rigging scheme to have toxic wastes removed from prison property for a fee of $12,000. The removal was prompted by a scheduled inspection by the prison's board of directors. The prison had no contract for waste removal. A prison foreman established a fictitious waste-disposal company at the direction of the official and a 3-year accumulation of toxic waste was removed to private property in 55-gallon drums. However, some spillage occurred resulting in soil damage. The business manager approved payment on the contract. An informant at the prison notified the Environmental Protection Agency (EPA) of the spillage and their investigation found that cleanup of the spill was required at an estimated cost of $25,000. The caller complained that the government had already paid $12,000 for the improper disposal, and must pay $25,000 for the cleanup. The caller further complained that since the drums were returned to the prison property, the government must negotiate a legitimate contract to have the waste removed. The GAO Hotline referred the case to the Department of Justice. Their investigation substantiated the allegation. Three employees of the prison were dismissed and 1 was demoted. EPA's investigation resulted in a 6-count indictment being handed down against 3 employees. A trial date has not yet been set.

-- An anonymous caller alleged that an Army general was improperly using an Army helicopter and crew members to commute to his duty station and that he had issued orders to cover up his misuse. This allegation was referred to the Army Inspector General, whose investigation partially substantiated the case. The Army General had used the helicopter to commute 42 miles to his duty station at least 10 days during a 1-month period at a cost of about $4,665. No punitive action was taken against the General because he had relied on the advice of his Staff Judge Advocate about

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[1]Some of these examples may have been investigated by the agency before 1987, but GAO was not notified of the results until sometime between January 18, 1987 and January 17, 1988.

his aircraft use. The Army initiated a review of its regulations and told the General that an exception to the Secretary of the Army policy would have to be approved for the General to continue this transportation on a frequent basis.

-- An anonymous caller alleged that a man collecting Railroad Retirement disability payments for a bad back was self-employed building houses. GAO referred the allegation to the Railroad Retirement Board's Office of Inspector General, whose investigation found that the man had improperly received over $78,000 in Railroad Retirement benefits. The evidence was presented to the U.S. Attorney, who declined prosecution in favor of administrative action. The Railroad Retirement Board is taking action to recover the total overpayment.

-- A caller alleged that a flight instructor with an Army Reserve unit had used a government aircraft to deliver sporting equipment and a microwave oven to his son who was attending a college less than 200 miles from the flight instructor's duty station. According to the caller, this flight had been made after 2 other instances of aircraft misuse for which the same instructor had been formally reprimanded. This allegation was referred to the Department of Defense Inspector General and investigated by the Reserve Command. As a result, the Commanding General of the Reserve amended his previous reprimand commenting that use of a military aircraft for personal reasons or transportation of personal cargo might have been common in the past but that it would not be condoned or permitted in the future. A subsequent review of flight records by the Command's Inspector General found that the personal use of military aircraft was no longer a problem.

-- A caller contacted the Hotline to allege that an Army commander of a special forces group ordered some of his noncommissioned officers and enlisted men to wrongfully use government tents and vehicles to support a local civilian horse show in which his daughter was a participant. After the show, the Commander ordered his personnel to remove these tents. The allegation was referred to the Department of Defense Inspector General for investigation, who substantiated the allegations. The Commander received a letter of reprimand from the Commanding General for his actions. Also, the Commanding General has sent formal notification to all other Commanders reminding them of applicable Army regulations.

-- An anonymous caller alleged that Department of Commerce employees were manipulating the evaluation of technical

proposals to keep one contractor in the running for a contract. The contractor's technical proposal did not comply with the requirements of the evaluation. We referred this allegation to the Department of Commerce Inspector General, who conducted an audit in this area and noted that a full-scale $500 million production contract may result from this technical proposal. Although the IG could not fully sustain the allegation, serious management deficiencies were identified involving inadequate accountability for evaluations, inadequate criteria for judging proposals, and problems in the source-selection process. The agency took corrective action to resolve these deficiencies.

-- An anonymous caller alleged that some employees of an Immigration and Naturalization Service office in Washington, D.C., were attending a swimming pool party on government time. A routine check by the GAO Hotline determined that the employees were attending a birthday party for their supervisor at a local hotel swimming pool. A Department of Justice inquiry into the matter substantiated the allegation and the supervisor was reprimanded for allowing his employees to be absent from their jobs without taking leave.

-- A caller alleged that an Army general proposed to fly a C-12 plane to California to observe his troops participating in an exercise when commercial flights were readily available at a substantial savings. Also, it was alleged that the General was using a helicopter to avoid rush-hour traffic when visiting a nearby facility. The Hotline inquired into the first allegation since the General's trip to California was to take place within a few days. The allegation concerning helicopter misuse was referred to the Department of Defense Inspector General for investigation. As a result of the GAO inquiry into the first allegation, the General's staff changed his itinerary to a commercial flight at a savings of $6,300. The investigation concerning helicopter misuse was conducted by the Army Inspector General but was unsubstantiated since the use of the helicopter was temporary and was considered consistent with the General's duties.

-- A caller to the Hotline alleged that a widow of a U.S. veteran, who died in 1980, had not reported to the Veterans Administration (VA) that she had remarried in 1983 and was continuing to receive VA benefits. The VA benefit checks were being deposited directly into her own personal bank account. This case was referred to the VA Inspector General and an examination by the VA's Department of Veterans Benefits substantiated the allegation. The widow will now have to repay the VA over $16,000.

-- An anonymous caller told the GAO Hotline that an official of the federal courts in Florida was assigning part-time employees preferentially and falsifying their attendance records. The matter was referred to the Administrative Office of the U.S. Courts, where the Office of Audit and Review found evidence substantiating the allegation. The official was given the opportunity to defend himself against the charges at a meeting of the district's judges or to submit his resignation. He opted to retire. The U.S. Attorney declined prosecution.

-- An anonymous caller alleged that a government station wagon had been illegally used to deliver paint and other supplies to a private residence being remodeled in Miami, Florida. An investigation by the Department of Transportation's Office of Inspector General found that the government vehicle was permanently assigned to an employee of the Federal Aviation Administration. This employee admitted using the vehicle to deliver paint and other supplies to the house being remodeled. The allegation was substantiated, and the employee was suspended for 30 days.

-- A caller alleged that a government inspector was covering up nonperformance of a janitorial contractor at a Naval installation because the contractor had hired the inspector's girlfriend. The caller also alleged that the same inspector was taking gratuities from the contractor and socializing with contractor personnel. This allegation was referred to the Department of Defense Inspector General, and the Naval Investigative Service (NIS) conducted the investigation. Although NIS did not find that the contractor was inadequately performing on the contract, they did find a gambling ring that was operating at the installation with government and contracting personnel involved. As a result, the government inspector was suspended for 3 days, and another government employee was convicted in a local court and given 6 months probation. Four other government employees were given either letters of caution or reprimand. In addition, 3 contract personnel were convicted in a local court, placed on 6 months probation, and debarred from working at the installation. Another resigned his position with the contractor.

-- A caller from Minnesota told the Hotline that a local housing authority had illegally spent Housing and Urban Development funds for planning fees, salaries, benefits, and equipment for the city. The writer provided evidence documenting the allegation. The Hotline referred the matter to HUD's Office of Inspector General. Auditors substantiated the allegation. The housing authority returned $13,336 to the federal treasury.

-- A caller alleged that a veteran was improperly collecting full disability benefits from the Veterans Administration for having suffered "convulsions" during basic training. The allegation was substantiated by the VA Inspector General after the GAO Hotline referred the case. The caller claimed the veteran owned and operated a marble-products business between 1978 and 1979 requiring "heavy labor" but failed to report the activities to the VA. A reexamination of the veteran revealed a remarkable physical improvement. The examination also revealed that he had ceased taking previously prescribed medications. Based on the evidence, the veteran's disability benefits were reduced from 100 percent. A savings of $15,432 annually will be realized by the VA from the veteran's reduction in benefits.

-- A caller to the Hotline alleged that the Air Force could have saved over $76,000 in travel costs if they had conducted their exercises in Honduras under field conditions instead of staying in hotels on per diem. The allegation was referred to the Department of Defense Inspector General and an investigation was conducted by the U.S. Southern Command, who substantiated the allegation. The Air Force had authorized an exception that 50 Air Force personnel could be billeted in hotels for a 2-week period. The rationale for billeting in this manner was based on the fact that the hotels were in close proximity to the duty location and only commercial billets were available. The policy on conducting exercises in Honduras under field conditions was reemphasized.

-- An anonymous informant alleged that a farmer was actually operating a commercial trucking business for hire and ignoring various state and federal regulations. The GAO Hotline referred this case to the Department of Transportation Inspector General, who directed the Federal Highway Administration (FHWA) to investigate the case. The FHWA substantiated the allegation. The farmer was found to be violating a number of regulations, which included using uncertified motor vehicle operators and poor recordkeeping. The farmer agreed to comply with the federal regulations he was violating. FHWA plans to monitor this carrier's business.

-- A caller alleged that a Navy contractor was falsifying and altering air freight bills to increase shipping costs on Navy purchases. This allegation was referred to the Department of Defense Inspector General, and an investigation was conducted by the Naval Investigative Service. Although the government did not prosecute the contractor, the government took administrative action and recovered over $1,100 from the contractor.

-- A student alleged that a school receiving U.S. Department of Education funds was not providing the hours of instructional services as shown in its catalog. Inquiries were made by the Office of Post Secondary Education and the Association of Independent Colleges and Schools. The school admitted to an error in course clock hours and made a refund of $1,542 to the student making the allegation. The school will face a review of its accreditation status in reference to other unresolved issues found during the review.

-- An anonymous caller alleged that the Federal Emergency Management Administration (FEMA) awarded a $90,000 contract for a training package even though interagency advisory committee members notified FEMA that technical inaccuracies existed. A FEMA IG investigation substantiated the allegation and revealed that FEMA had no recourse against the contractor because of FEMA's knowledge of the inaccuracies before the contract was awarded. A year-long congressional study disclosed that FEMA needed to improve its procedures dealing with contracting and with FEMA's advisory committee and subcommittees. The Department of Justice (DOJ) conducted an investigation to determine whether fraud was involved in awarding the contract, but the DOJ closed the case without bringing criminal charges.

-- An anonymous caller to the GAO Hotline alleged that an unemployment-benefits recipient was working at a warehouse in New York City and earning $400 per week in addition to collecting $170 per week in benefits. The GAO Hotline referred this allegation to the Department of Labor Inspector General after the caller claimed that employees of the local unemployment office said they would take no action on the matter. The case was sent to the U.S. Attorney who declined prosecution, but a repayment agreement was signed by the recipient for over $6,500.

-- An anonymous caller alleged that the project manager of a Housing and Urban Development subsidized housing development assigned units to members of her family regardless of their position on the list of eligible applicants. HUD's on-site management review found that housing applications were taken out of turn. The management agent, a contractor, has developed new written procedures and will closely supervise the project manager.

-- According to an employee of a midwestern state's financial department, the staff was encountering difficulty in obtaining responses from various federal agencies concerning their recovery of dormant accounts. These agencies were being advised to reclaim funds due them from various bank

accounts that had been set up by the federal agencies. The banks subsequently turned the funds into the state as required because the accounts were dormant for 7 years. The state contacted the GAO Hotline, who agreed to claim these funds and return them to the federal treasury. In 1987, GAO collected over $30,000 from the state.

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